

BUREAU OF CONSUMER FINANCIAL PROTECTION | JANUARY 2019

Office of Servicemember Affairs

Annual report



Executive summary

The Office of Servicemember Affairs (OSA) monitors and analyzes complaints from servicemembers, veterans, and military families (collectively referred to as “servicemembers” in this report). Complaints submitted by servicemembers serve as a key initial indicator of emerging issues and continuing trends in the financial marketplace.

This report provides data and analysis around the most common complaints submitted by servicemembers. These complaints help to inform the Bureau and external stakeholders in addressing these issues as they evolve.

Financial products help servicemembers move to a new city or country, fund an education, buy a home, start a family or even handle unexpected bumps in the road. Serving in the military, however, involves many unique challenges not found with other professions, like constant changes in duty station. As a result, when financial issues go wrong, the effect on servicemembers’ lives can be amplified.

Part of our mission is to educate and empower servicemembers and their families to make better informed decisions regarding consumer financial products and services. The cornerstone of the OSA’s “educate and empower” mission is Misadventures in Money Management (MiMM).

MiMM is a cutting edge graphic novel meets “choose your own adventure” training that engages servicemembers with real life financial choices in a fun and interactive manner. MiMM covers topics including consumer financial decision-making, choosing a financial institution, understanding protections under the Servicemembers Civil Relief Act (SCRA), avoiding impulse purchases, and understanding how debt can affect a military career. Based on pre- and post-usage tests, we have seen that servicemembers who participate in MiMM show significant increases in their financial knowledge scores upon completion of the program.

The majority of complaints received from servicemembers during the reporting period revolve around credit or consumer reporting followed by debt collection issues. We regularly hear from servicemembers who are worried that incorrect information on their credit reports will put their security clearance, duty status, potential promotion, or even military career in jeopardy. Recent changes to the Department of Defense (DOD) security clearance rules make credit reporting and debt collection issues even more important to resolve as quickly as possible.

This report highlights other emerging issues and continuing trends facing servicemembers in the financial marketplace such as:

- Medical, telecommunications and VA debts on servicemembers’ credit reports

- Student loan servicing obstacles
- Automobile add-on products in the car buying process

Servicemembers have some additional protections in the financial marketplace like the Military Lending Act (MLA) and the Servicemembers Civil Relief Act (SCRA). Following recent changes to MLA regulations, we have received complaints regarding how the MLA is applied to credit card accounts.

The Bureau is committed to ensuring that servicemembers and their families have high levels of financial readiness, so that servicemembers can continue to be mission-focused. The OSA will continue to employ an array of tools and resources to meet the Bureau's core obligations to educate and empower servicemembers, to monitor their complaints, and to coordinate with other state and federal agencies so that servicemembers' financial concerns are given the attention they deserve.

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1. The Office of Servicemember Affairs is advocating for servicemembers, veterans, and military families

The Office of Servicemember Affairs (OSA) assists in improving the financial lives of servicemembers, veterans, and military families through the following statutorily required functions:¹

1. We educate and empower servicemembers and their families to make better-informed decisions regarding consumer financial products and services; and
2. We monitor and analyze consumer complaints submitted by servicemembers and their families; and
3. We coordinate with other federal and state agencies regarding consumer protection measures for servicemembers, veterans and their families.

The OSA is also statutorily mandated to coordinate with the Federal Trade Commission (FTC) and the Federal Reserve Board of Governors to ensure that servicemembers and their families are educated and empowered to make better informed decisions regarding consumer financial products and services offered by motor vehicle dealers, with a focus on motor vehicle dealers near military installations. This partnership is also meant to ensure that complaints by servicemembers and their families concerning such motor vehicle dealers are effectively monitored and responded to, and, where appropriate, enforcement action is pursued by the authorized agencies.²

¹ Dodd-Frank Act, Pub. L. No. 111-203 (2010), § 1013(e)

² Id. § 1029(e)

Educate and empower

The OSA works with other key Bureau offices and external stakeholders to educate and empower servicemembers and their families to make better informed decisions regarding consumer financial products and services (e.g. auto lending).³ We provide factsheets and summaries of key financial laws and regulations affecting servicemembers, such as the Servicemembers Civil Relief Act (SCRA) and the Military Lending Act (MLA). Through strategic partnerships with military stakeholders, we are able to deliver educational content that is current and dynamic based on emerging trends and issues that we observe in the financial marketplace.

Further examples of educational programs and content that the OSA produces to help navigate tough financial decisions are in Section 3.

Monitoring complaints

In coordination with other Bureau offices, the OSA monitors complaints by servicemembers, veterans, and military families and the responses to those complaints by the Bureau or other appropriate federal or state agencies.⁴ The Bureau has received approximately 123,500 complaints from servicemembers since July 2011.⁵

The number of servicemembers, veterans, and military families turning to the Bureau for help has continued to increase over time. As a result, the complaint volume from servicemembers has also risen over the years. From 2016 to 2017 there was a 47% increase in complaints received from servicemembers.



³ Id. §§ 1013(e)(1)(A), 1029 (e)(1)

⁴ Id. § 1013(e)(1)(B)

⁵ Total number of servicemember complaints is current as of August 31, 2018

The OSA provides [periodic reports](#) about what we are seeing in the financial marketplace for servicemembers, along with resources to answer common consumer financial issues that come up in complaints we monitor.

The screenshot shows the CFPB website's navigation bar at the top with links for Consumer Tools, Practitioner Resources, Data & Research, Policy & Compliance, and About Us. Below the navigation is a search bar and a "Submit a Complaint" button. A breadcrumb trail indicates the page is under "Serving servicemembers, veterans, and military families". The main content area has a sidebar on the left titled "What the CFPB is doing" with links to State consumer financial protection resources for servicemembers, Training webinars, and Misadventures in Money Management (MiMM). The main content area is titled "What the CFPB is doing" and discusses the innovative use of research and data to better understand—and solve—challenges that servicemembers, veterans, and their families face in today's consumer financial marketplace. It also includes a section on Monitoring servicemember complaints, which lists various reports and a link to the full database of complaints.

What the CFPB is doing

State consumer financial protection resources for servicemembers

Training webinars

Misadventures in Money Management (MiMM)

What the CFPB is doing

The CFPB's Office of Servicemember Affairs (OSA) is a leader in the innovative use of research and data to better understand—and solve—challenges that servicemembers, veterans, and their families face in today's consumer financial marketplace.

Monitoring servicemember complaints

We've analyzed tens of thousands of complaints from servicemembers, veterans, and military family members to ensure we're matching our efforts with their priorities.

- [50 state snapshot of servicemember complaints](#) (April 2018)
- [50 state snapshot of servicemember complaints](#) (Oct. 2017)
- [2017 Military lifecycle report](#) (May 2017)
- [2016 Annual servicemember report](#) (March 2016)
- [2015 Annual report](#) (April 2015)
- [2014 Annual report](#) (March 2014)
- [See full database of complaints](#)

A more detailed breakdown of emerging issues in servicemember complaints is in Sections 2 and 4.

Coordination with other agencies

The OSA engages internally and externally to coordinate efforts among federal and state agencies regarding consumer protection measures relating to consumer financial products and services offered to, or used by, servicemembers and their families.

Further examples of the OSA coordinating with other agencies are in Section 5.

1.1 How servicemembers interact with financial products

Servicemembers regularly interact with financial products throughout the lifecycle of their military career. For most servicemembers, financial products can help a servicemember move to a new city or country, fund an education, buy a home, start a family, or manage unexpected bumps in the road.

Serving in the military also involves many unique challenges not found with other professions, especially not being in control of when and where you will move. Because servicemembers and their families are regularly relocating from duty station to duty station, when financial issues go wrong, the effect on their lives can be amplified.

Military personnel who are distracted by financial problems cannot do their jobs to the best of their abilities and if the problems get too out of hand, they can be a career killer.⁶ For example, an average of 4,700 to 8,000 servicemembers are separated each year from the military for financial issues (e.g., losing their security clearance due to unpaid debts). These separations take a real toll not only on servicemembers and their families, but also cost the government hundreds of millions of dollars (up to \$456 million per year) to recruit and replace those servicemembers.⁷

Here are examples of the rates at which servicemembers and veterans use some common consumer financial products and services:

SERVICEMEMBERS:

- **Checking accounts:** Nearly all servicemembers have a checking or savings account (97%).⁸
- **Credit cards:** Servicemembers are more likely to have a credit card (91%) than non-servicemembers (76%). One third of servicemembers have four or more credit cards in their name.⁹
- **Auto loans or leases:** Roughly 75% of servicemembers have a car and make monthly payments.¹⁰

⁶ Are unpaid debts a military career-killer?

<https://www.consumerfinance.gov/about-us/blog/are-unpaid-debts-a-military-career-killer/>

⁷ Limitations on Terms of Consumer Credit Extended to Service Members and Dependents, 79 Fed. Reg. 58602, 24 (Sept. 29, 2014)

⁸ FINRA, Financial Capability in the United States: Report of Military Findings (2012)
http://www.usfinancialcapability.org/downloads/NFCS_2012_Report_Military_Findings.pdf

⁹ FINRA, Financial Capability in the United States: Report of Military Findings (2012), page 14
http://www.usfinancialcapability.org/downloads/NFCS_2012_Report_Military_Findings.pdf

¹⁰ DOD 2013 QuickCompass of Financial Issues Report, Question #76

https://www.dmdc.osd.mil/appj/dwp/rest/download?fileName=QCFIA1301_TabVolume.pdf&groupName=pubFinS_urAD

- **Paying for higher education:** Over 200,000 active duty servicemembers hold over \$2.9 billion in outstanding student loans.¹¹
- **Mortgages:** Roughly a quarter to 40% of active duty servicemembers have a mortgage.¹²

VETERANS:

- **Checking accounts:** Veterans are more likely to have an emergency fund than non-veterans.¹³
- **Credit cards:** Veterans are 9 percent more likely to engage in problematic credit card behavior – like carrying a balance and being charged a late payment fee.¹⁴
- **Mortgages:** Over 700,000 veterans currently have a VA home loan mortgage.¹⁵ In general, veterans are 40% more likely to be underwater on their homes than non-veterans.¹⁶
- **Paying for higher education:** Nearly 800,000 veterans and their families used GI Bill benefits to pay for their education.¹⁷

¹¹ Estimates are based on the Bureau’s analysis of data provided in Government Accountability Office (GAO), *Student Loans: Oversight of Servicemembers’ Interest Rate Cap Could Be Strengthened*, GAO-17-4 (Nov. 15, 2016), <https://www.gao.gov/products/GAO-17-4>.

¹² FINRA, Financial Capability in the United States: Report of Military Findings (2012) http://www.usfinancialcapability.org/downloads/NFCS_2012_Report_Military_Findings.pdf

¹³ FINRA. The Financial Welfare of Veterans Households (2017)

<http://www.finra.org/newsroom/2017/first-ever-national-study-finds-veterans-faring-slightly-better-financially-civilians>

¹⁴ FINRA. The Financial Welfare of Veterans Households (2017)

<http://www.finra.org/newsroom/2017/first-ever-national-study-finds-veterans-faring-slightly-better-financially-civilians>

¹⁵ VA Annual Benefits Report FY2016

https://www.benefits.va.gov/REPORTS/annual_benefits_report.asp

¹⁶ FINRA. The Financial Welfare of Veterans Households (2017)

<http://www.finra.org/newsroom/2017/first-ever-national-study-finds-veterans-faring-slightly-better-financially-civilians>

¹⁷ VA Annual Benefits Report FY2016: https://www.benefits.va.gov/REPORTS/annual_benefits_report.asp

2. Emerging issues and continuing trends in the financial marketplace for servicemembers

The following section highlights some important issues that servicemembers experience and the work we have done in response.

New security clearance guidelines make it more important than ever for servicemembers to monitor their credit

Recently, the Department of Defense (DOD) announced it is implementing [new security clearance rules](#) that make it even more important to resolve credit reporting and debt collection issues as quickly as possible.¹⁸ Previously, background checks would be done periodically (e.g., every 5 years) and servicemembers would have a chance to check their credit history and clean up any errors when they were up for review. The DOD is now implementing a “continuous monitoring” policy that will automatically check servicemembers’ credit histories.

We often hear from servicemembers who are worried that incorrect information on their credit reports will put their security clearance, duty status, potential promotion, or even military career in jeopardy.

“This is my third attempt to correct this...[company] placed a collection on my credit report without properly notifying me... No phone calls were ever made by the company to try and collect on alleged debt to me. No notice was served at all. I don’t even know who the debt is from or why it was collected. I sent out a letter requesting a debt validation to the collector via mail which they have failed to reply with EVERYTHING I ASKED FOR ON THE LETTER...Please remove this debt from my credit report that was wrongfully added. This has damaged my report by [a significant number] points right while I am in the process of getting a home...I have a [security clearance] and this

¹⁸ WARNO: New security clearance guidelines make it more important than ever for servicemembers to monitor their credit: <https://www.consumerfinance.gov/about-us/blog/warno-new-security-clearance-guidelines-make-it-more-important-ever-servicemembers-monitor-their-credit/>.

has affected my clearance which will entail affect my job!

- Servicemember from Texas

We continue to receive complaints from deployed servicemembers about identity theft or other fraud while on active duty. Many are unaware that they can receive [Active Duty Alert](#) protection. Servicemembers may also request [initial](#) or [extended](#) fraud alerts if they have been a victim of identity theft or fraud, or reasonably expect they will be. For more information on fraud protection tools to help safeguard servicemembers, read our [Fraud Alert Factsheet](#).

In response to the Equifax data breach in September 2017, the OSA [highlighted](#) many of these options to counter the risks of identity theft, and provided reminders of some of the [unique rights](#) that servicemembers have to monitor their credit reports.

[Recent legislation](#) has been enacted that will make it possible for active duty servicemembers to obtain free electronic credit monitoring services, in addition to the free credit freezes made available to the general public under the same legislation. The Federal Trade Commission has been charged with setting guidelines for the electronic credit monitoring services by no later than May 2019.¹⁹

Medical debt continues to be problematic on servicemembers' credit reports

The Bureau [recently found that one in three consumers](#) have been contacted by a creditor or debt collector about a debt in the previous 12 months.²⁰ More than half of those contacted consumers reported medical debt as the reason for the contact. Regardless of income level, age range, and credit scores, medical debt is consistently the category most cited for having past-due bill issues.

The OSA continues to hear from servicemembers and veterans who are struggling with debt collectors attempting to collect debts stemming from medical bills. Active duty servicemembers and their families normally receive medical coverage through the government health care plan called TRICARE. A number of military medical facilities, however, have transitioned away from offering emergency and urgent care (“sick calls”), instead directing servicemembers to civilian emergency care and outpatient services that require out of pocket payments. Complaints

¹⁹ Free credit freezes are here: <https://www.consumerfinance.gov/about-us/blog/free-credit-freezes-are-here/>

²⁰ Consumer Experiences with Debt Collection (January 2017)

http://files.consumerfinance.gov/f/documents/201701_cfpb_Debt-Collection-Survey-Report.pdf

received by the Bureau suggest that for at least some active duty servicemembers, there may be a connection between medical debt problems that ensue when those bills are not paid on time.

“On [date], I was involved in an accident where I had to be taken to the hospital. Somehow, my social was written wrong and TRICARE didn’t cover it until I spoke with them, and they corrected it leaving me with a \$0 dollar deductible and \$0 dollars owed. TRICARE mailed a letter [to the company] that stated “we received an inquiry regarding patient billing on the above claim. The patient’s cost share and/or copayment was \$0.00, and we applied \$0.00 towards the patient’s deductible. The claim was originally denied because it was submitted with an incorrect member identification number. This has since been corrected and the claim has been paid, leaving no patient responsibility...”

Somehow this still is being charged as a collection [on my credit report].”

- Servicemember from Virginia

We [previously reported on this issue](#) whereby servicemembers and veterans leave the hospital believing their services will be covered by TRICARE or the Department of Veterans Affairs (VA), only to be repeatedly contacted later by debt collectors requesting payment for these same services.²¹ With the passing of the VA Mission Act in June 2018,²² veterans will have increased access to private sector health care options available to them and, consequently, that will also increase the volume of veterans relying on the VA to pay their medical bills on time. The OSA will continue to monitor how these new changes will impact medical debt complaints from veterans.

Recent [legislative changes](#) have added limitations regarding the inclusion of certain medical debts in the credit reports of veterans and provide special dispute rights for veterans who can provide proof of the VA assuming liability for an outstanding debt. The OSA will be working with our interagency partners to ensure that the new law is properly implemented and that we monitor medical debt complaints.

²¹ Servicemembers 2015: A Year in Review: https://www.consumerfinance.gov/f/201603_cfpb_snapshot-of-complaints-received-from-servicemembers-veterans-and-their-families.pdf.

²² Public Law No: 115-182.

Veterans struggle repaying VA debts

When a veteran owes a debt to the Department of Veterans Affairs, the “VA will take aggressive collection action” to collect those debts.²³ The VA Debt Management Center, also known as the “VA Debt Man”²⁴ is the office that reaches out to veterans to recoup those debts.

In recent years, over 187,000 veterans received overpayment notices from the VA Debt Man,²⁵ which collects \$1.6 billion annually.²⁶ While 88% of those debts were related to veterans’ health benefits,²⁷ a growing number of those debts are for students using their GI Bill benefits to pay for school. Approximately one in four veterans using the Post-9/11 GI Bill received an overpayment.²⁸

We have heard from a number of veterans who are struggling to repay their debts to the VA Debt Man.

“Recently, in preparation for an upcoming periodic reinvestigation of my security clearance I conducted a review of my credit score and noted [a VA] reporting action which I was previously unaware of... I provided [an] on time [payment] to the VA, however internal processing of that payment caused a delay in crediting the payment to my account. Additionally, VA DMC (debt management center) continued to receive, acknowledge, and process payments up to and beyond the date the debt was transferred to Treasury.... Because VA DMC transferred the debt to Treasury and submitted a negative report to the credit reporting agencies, I have been characterized as financially irresponsible... In more than twenty years of active service to my country and over thirty total years of military service, including three combat tours, I have always lived up to my commitments.”

- Active duty servicemember from Louisiana

A common thread in feedback we have heard from veterans in the field is that VA debt notifications are being sent to old addresses and veterans are hearing about the debt too late to

²³ 38 C.F.R. § 1.1910

²⁴ VA refers to their Debt Management Center as “VA Debt Man” <https://www.va.gov/debtman/>

²⁵ Indebted, Vice News, March 27, 2017: https://news.vice.com/en_ca/article/ywn9xb/va-veterans-overpayment

²⁶ Department of Veterans; Debt Management Center briefing slides to Veterans Service Organizations as provided on October 19, 2018

²⁷ Statement of Julie Larsen, Team leader debt management center the American Legion before the Subcommittee on Oversight & Investigations Committee on Veterans’ Affairs on “VA Financial Management”, May 24, 2017 <http://docs.house.gov/meetings/VR/VR08/20170524/106019/HHRG-115-VR08-Wstate-LarsenJ-20170524.pdf>

²⁸ POST-9/11 GI BILL: Additional Actions Needed to Help Reduce Overpayments and Increase Collections, GAO Report, GAO-16-42: Oct 21, 2015: <https://www.gao.gov/products/GAO-16-42>

engage their resolution options (e.g., appeal or payment plans). While a veteran may have updated their address in a VA system (e.g., for VA health care) that does not mean that address is updated with other VA business lines (e.g., Education Services). The VA business unit that generates the debt also provides the VA Debt Man with the address for collection purposes and all debt notifications are done by mail.

The VA Debt Management has been engaged in some encouraging new efforts such as testing revised debt notification letters with behavioral scientists, developing an enterprise wide contact system and working toward the ability to notify veterans of their debts via email.

The OSA will work with the VA to ensure their collection practices are fair and protect the rights of veterans.

Military moves may make servicemembers particularly vulnerable to telecommunications debt

The Bureau recently released its latest [quarterly consumer trends report that showed that more than 1 in 5 consumers had telecommunications-related collections](#) on their consumer report in the past 5 years. Complaints received by the Bureau suggest that some servicemembers may be vulnerable to telecommunications debts due to frequent moves and the accompanying need to suspend, cancel and re-establish telecommunications services.

"In [date] I was deployed out of the United States. Before leaving I took the proper steps to suspend my [telecommunications] account due to military deployment with [company]. I suspended the account on [date]. On [a later date], and once I was no longer in the states, [company] reopened my account for another individual who moved into my old apartment. The customer service stated they had the right "because they knew my address" which was an address I no longer lived in due to being deployed...Once the situation was brought to the company's attention I was verbally told the amount would be credited to my account. On [date], I returned my router and equipment and had to talk to another individual at [location] because the problem still was not resolved. She was extremely helpful and wrote down voucher numbers for each credit that was supposed to be on my account. I was charged [amounts] and a large amount of late fees due to myself not knowing or paying the charges because I was no longer in the states. The late fees were dropped, and after the encounter at the store the [amount] was dropped and no longer held against me. I found out that once again [company] had not cleared me of the [amount] which was disputed on [date] for the third time. After which I was told once again the charges would be dropped. I also called each credit bureau to dispute the charges off of my credit...I moved to [country] on military orders in [date]. Now on [a later date] I received a letter from a Debt Collector by the name of [company] stating that I still owe [company] the [amount]

that was disputed and closed two years ago. I have called the collector and am once again disputing the charges...I do not owe these charges and it is completely wrong for [company] to keep harassing me for an amount I do not owe, and was closed two years prior after being repeatedly told that I would be credited."

- Servicemember

Military Lending Act protections now apply to credit card accounts

In a 2012 survey, over 90 percent of military respondents reported having and using a credit card and 33 percent reported having four or more credit cards. A 2013 DOD survey of military financial issues showed that 54% of enlisted servicemembers reported only paying the minimum payment on a credit card at least once in the last year.²⁹

Beginning on October 3, 2017, creditors were required to comply with important changes made to the regulation implementing the Military Lending Act (MLA) that capped the rate on credit cards for servicemembers and certain dependents at 36 percent. We have received some complaints from servicemembers demonstrating confusion with respect to how and when creditors are applying the MLA's protections to credit card accounts.

"I opened a credit card account in [date] with [company]. On [a later date], I called to request the bank to [make a change to my account] pursuant to the Military Lending Act that went into effect on [date] as a military member. They refused to do so unless they were forced to through a credit bureau review initiated by me closing and opening a new account or opening a new card on that account."

- Servicemember from California

For more information on the MLA, see our [MLA factsheet](#).

In 2017, the OSA also identified a trend of servicemember complaints clustering around premium credit cards. Premium credit cards are cards that come with extra perks such as free airline tickets, access to exclusive airport lounges, and ride credits with transit services like Uber. Their annual fees can cost hundreds or even thousands of dollars per year.

A few premium card issuers offered to waive or reduce the large annual fees for servicemembers. When one of the companies sent notices to servicemember card holders that the card company would no longer waive their annual fee and also would not be offering reduced interest rate for

²⁹ DMDC: 2013 QuickCompass of Financial Issues:

https://www.dmdc.osd.mil/appj/dwp/rest/download?fileName=QCFIA1301_TabVolume.pdf&groupName=pubFinS_urAD

servicemembers, we immediately started receiving complaints from confused and concerned servicemembers.

Once we identified the trend in premium credit card complaints, we reached out to the company to discuss the source of the consumer confusion and to determine the underlying reason for the uptick in complaints. Throughout the conversation, we realized the consumers believed they would have to pay off the card immediately or they would be charged the hefty annual fee and no longer receive the lower interest rate, neither of which was true.

In order to alleviate this consumer confusion, the OSA provided technical assistance to the company's compliance department to craft a letter to affected consumers. The letter explained that servicemembers could avoid the annual fee and receive the reduced interest rate if they discontinued using the card and regularly made the minimum payment. Since collaboratively addressing the problem through education with an industry partner, we have seen a significant decrease in this specific complaint type about this company.

Servicemembers continue to face obstacles in student loan servicing

For years, we have heard from servicemembers about how they entered military service not only with student debt, but because of student debt. Now we know that more than 200,000 servicemembers collectively owe more than \$2.9 billion in student debt.³⁰

Servicemembers with student debt have certain protections under federal law to ensure military families do not struggle to repay their student loans. The [Bureau previously highlighted](#) how servicemembers may face obstacles when seeking to access protections such as SCRA interest rate caps or military deferments.³¹ Over the last year, the Bureau received many complaints from servicemembers who continue to face obstacles when trying to access these protections, as well as protections provided under the federal student loan program.

Veterans and active duty servicemembers meeting certain requirements may have the balance of their federal student loans forgiven after working in public service for ten years.

Servicemembers report, however, that servicing breakdowns, such as delayed processing of their applications for income-driven repayment or misapplied payments, can cause them to miss out

³⁰ Estimates are based on the Bureau's analysis of data provided in Government Accountability Office (GAO), *Student Loans: Oversight of Servicemembers' Interest Rate Cap Could Be Strengthened*, GAO-17-4 (Nov. 15, 2016), <https://www.gao.gov/products/GAO-17-4>.

³¹ Overseas & Underserved: Student loan servicing and the cost to our men and women in uniform (July 2015) <https://www.consumerfinance.gov/data-research/research-reports/overseas-underserved-student-loan-servicing-and-the-cost-to-our-men-and-women-in-uniform/>.

on having payments counted toward loan forgiveness. As a result, these military borrowers may needlessly spend extra months or years in repayment.

"I did not receive a notification from my student loan servicer [about] needing to renew my ICR [income contingent repayment] status. After I discovered it had lapsed two months later, [student loan servicing company] sent me a notice that they had capitalized the interest, but it took [multiple] inquiries and over a month for them to respond to me as to what had happened. I refiled all the paperwork and checked with the loan provider in [date] to ensure everything was in order ([student loan servicing company] confirmed that it was). On [date], I received a notice that my proof-of-income paperwork did not indicate the pay frequency (it did, and [student loan servicing company] previously confirmed this) and asked me to resubmit. When I logged into the "old" version of their website (they recently updated their website, which does not provide all the important options), I saw that they somehow had no record of me submitting any documents to them (despite the fact that I had, they had confirmed it, and the recent email said I had submitted documentation [albeit insufficient]). So now I have been in a standard repayment plan --- rather than my ICR --- for over 4 months because of their failure to notify me of the need to renew and errors on their end."

- Servicemember from Massachusetts

Servicemembers also complain about struggles accessing disability discharge protections. Military borrowers with service-connected disabilities may be eligible to have their federal student loans fully discharged. These borrowers are also entitled to have any payments made after their disability determination refunded to them. Yet military borrowers complain that they are not given any timeframe in which to expect the refund, even after waiting for several months.

With help from the Bureau and the OSA, the Departments of Education (ED) and Veterans Affairs (VA) teamed up to notify veterans with severe disabilities that they may be eligible to have their federal student loans discharged tax-free. In April, ED began matching its list of student loan borrowers with the VA's list of veterans who are unemployable due to service-connected disabilities. From that process, ED created a list of federal student loan borrowers or recipients of Teacher Education Assistance for College and Higher Education (TEACH) Grants who may qualify for the Total and Permanent Disability (TPD) discharge. ED and VA identified over 42,000 veterans with severe disabilities who hold a total of more than \$1 billion in outstanding student loans who may be eligible for TPD discharge. As of April 2018, over 25,000 of those veterans were in default with \$117 million in outstanding loans.

Add-on products for servicemembers in the car-buying process

Roughly 75% of servicemembers have a car and make monthly payments on it. This fall, the OSA released a [joint blog series](#) with the Federal Trade Commission focusing on servicemembers in the car-buying and car-financing process. The blog series highlighted car add-on products that can significantly increase the total amount financed, thereby increasing the negative equity that a servicemember holds once they drive the car off the lot.

Many of these add-ons are marketed as particularly helpful to servicemembers due to the unique aspects of military life. We have heard from many servicemembers who did not understand that these add-ons were optional and that they would be added to the total amount financed. We have heard from many servicemembers who didn't understand how they wound up financing thousands of dollars in add-on products like service contracts, window etching, guaranteed asset protection (GAP), key replacement warranty, and tire, dent, and paint protection packages.

One add-on of particular note with servicemembers is called “GAP.” GAP covers the difference—or gap—between the amount you owe on your auto loan and what your insurance pays if your vehicle is stolen, damaged, or totaled. GAP is often marketed to servicemembers as providing protection for your vehicle should something happen to it while you are deployed or away from home. Problematically, GAP can often be voided if you take your car overseas, as servicemembers are often apt to do.

“I am a military member...[Company] is refusing to pay on the GAP insurance that I purchased at the time I signed the financing agreement. While stationed at [military base] I purchased a [new car] ...When I purchased the vehicle the original financing agreement included an option to purchase GAP insurance for an additional [cost]...[Company] agreed in writing for me to ship my vehicle to [country] when I received military orders re-assigning me to [country]. The letter explicitly authorized me to drive the vehicle here in [country] while I am stationed overseas. The vehicle was totaled in an accident. Now [company] is refusing to honor the GAP insurance/waiver provisions because the loss occurred outside of the United States...I simply want [company] to honor its commitment to cover the deficiency between the insurance payout and the remaining balance on the loan.”

- Servicemember

It remains important for servicemembers to comparison shop when it comes to car add-on products such as GAP.

3. Educating & empowering servicemembers

As part of our mission to educate and empower service members and their families to make better informed decisions regarding consumer financial products and services³², the OSA routinely engages in outreach that supports its mission to educate and empower servicemembers about financial matters while also coordinating with other agencies on military consumer protection measures. This outreach comes in various forms, but all have the same end goal of reaching servicemembers where they would normally work, live, and engage in key financial transactions throughout the lifecycle of their military service.

The OSA conducted hundreds of external engagements across the country and overseas, including military installation visits, presentations at conferences that engaged with various key stakeholder groups, and through digital engagement in the form of educational content, blogs, social media, and partnerships with other federal and state governments, financial industry groups, military consumer protection advocates, and other educators.

As part of our education and empowerment directive, the OSA wants to highlight a few programs and initiatives that have helped deliver important financial resources and educational tools to servicemembers so that they can navigate important financial decisions.

3.1 Misadventures in Money Management

The cornerstone of our “educate and empower” mission is Misadventures in Money Management (MiMM). MiMM is a cutting edge, graphic novel meets choose your own adventure training that engages servicemembers with real life financial choices in a fun and interactive manner. The MiMM covers topics including consumer financial decision-making, choosing a financial institution, understanding protections under the SCRA, avoiding impulse purchases, and understanding how debt can affect a military career.

The pre- and post-usage tests show that servicemembers have significant increases in their knowledge scores upon completion of the program. We have seen a 10 point increase in knowledge of availability of free credit reports; a 12 point increase in knowledge of the SCRA; a

³² *Id.* § 1013(e)(1)(A)

10 point reduction in the mistaken belief that SCRA puts a hold on debt; a 31 point reduction in focus on the monthly payment in buying a car; and a 40 point increase in understanding that total price matters.

It is currently in use for future servicemembers by all of the military services. Since launching, over 22,000 new recruits and ROTC senior cadets have utilized the program.

The screenshot shows the title screen of the "Misadventures in MONEY MANAGEMENT" app. At the top left, a teal diagonal banner reads "W3 AWARDS BEST IN SHOW". The main title "Misadventures in MONEY MANAGEMENT" is in large, white, serif capital letters. Below it, a smaller teal banner says "PRESENTED BY THE CONSUMER FINANCIAL PROTECTION BUREAU". A "Welcome!" message and a "Thanks for previewing the adventure." note are displayed. Six character icons are arranged in two rows: Cruz (red), Angela (orange), James (yellow) in the top row; Miya (blue), Dirk (purple), Xavier (teal) in the bottom row. A "My Rucksack" icon with a backpack is at the bottom left. A note at the bottom center states the app was developed in partnership with the CFPB's Office of Servicemember Affairs and WILL Interactive. The bottom navigation bar includes a "PREVIEW THE ADVENTURE" button and a "Version 1.1.4 WILL ▶" link.

The Bureau created the MiMM education program based on input from military senior enlisted leaders and peer group learners. The MiMM online financial education training program was created for future servicemembers in the Delayed Entry Program, which begins when a prospective servicemember signs a military enlistment agreement and continues through their departure for basic training. The program focuses on early-career financial choices faced by the newest members of the military and on avoiding costly mistakes in one's personal finances.



With the success of this program for our military audiences, the OSA has taken many steps to make the program very easy to use and implement by military leadership. By listening to the needs and requests of our audiences, we have incorporated many new features to make this program more adaptable and versatile, such as converting some of our text based resources to video and adding quiz like content. In addition, future characters will be created using all video content.

Interested members of the military should go to [MiMM.gov](#) to get started in the program.

3.2 Military Lifecycle

In 2017, the OSA developed a “[Military Financial Lifecycle](#)” to chart the financial challenges servicemembers, veterans and family members may face at every step of a military career. From basic training to major milestones such as deployments, reenlistments, and all the way through to achieving veteran status or retirement, the OSA [has developed key resources associated with each milestone](#) in the military lifecycle.

This year, the OSA has developed a handy [online resource](#) based on the military lifecycle model. The website contains an infographic charting the course through each step with a brief description of each stage and its associated resources. The website allows consumers to view each military milestone and see what resources are available under each step.

The OSA has provided technical assistance to the Department of Defense as a member of its Transition Veteran Policy Office (TVPO) Curriculum Working Group, as it develops educational content for their Transition Assistance Program (TAP program) and to the DOD Financial Readiness Office on other education initiatives to align with the military lifecycle. The OSA has helped to develop brochures, website content, and content for a financial capability online app.

3.3 New resources

In fiscal year 2018, the OSA created two educational factsheets addressing some of the most important military specific legal and regulatory protections – the Servicemembers Civil Relief Act (SCRA) and the Military Lending Act (MLA). The SCRA provides legal and financial protection to those who have answered the Nation's call to serve, and the MLA provides special protections for active duty servicemembers, like capping how much creditors can charge on many loan products. The factsheets provide clear, concise explanations so servicemembers can easily understand protections afforded to them under these laws.

The Servicemembers Civil Relief Act (SCRA)

The Servicemembers Civil Relief Act (SCRA) provides legal and financial protections to those who have answered the Nation's call to serve.

Introduction

The SCRA is a law created to provide extra protections for servicemembers in the event that legal or financial transactions adversely affect their rights during military or uniformed service. These protections enable servicemembers to devote their entire energy to the defense needs of the Nation. The SCRA applies to the following servicemembers:

- Active duty members of the Army, Marine Corps, Navy, Air Force, and Coast Guard;
- Members of the Reserve component when serving on active duty;
- Members of the National Guard component mobilized under federal orders for more than 30 consecutive days; or
- Active duty commissioned officers of the Public Health Service or the National Oceanic and Atmospheric Administration.

SCRA rights may be exercised by anyone holding a valid power of attorney for the servicemember. Some SCRA protections also apply to dependents. According to the U.S. Department of Justice, these are five protections that servicemembers often ask about:

Protection #1

Servicemembers can reduce the interest rate on any pre-service loans to a maximum of 6 percent

If you took out an automobile, home, or student loan or incurred credit card debt prior to becoming a servicemember (also known as a "pre-service obligation"), or if you took out a loan or made a payment with your spouse, then you are entitled to have your interest rate reduced to a maximum of 6 percent per year. To receive this benefit, you must notify your lender in writing and include a copy of your orders to active duty service or a letter from your commanding officer that shows the date you began active duty service.

The rate reduction for pre-service obligations applies during the period of active duty service for most loans and for mortgages, for an additional year after the end of active duty service. When you make a proper request for an interest rate reduction under the SCRA, your lender must reduce your interest rate on pre-service obligations to 6 percent for the entire time you are serving on active duty. Your lender can't add the amount of interest above 6 percent back into the loan later on after you leave active duty. You can request an interest rate reduction from your lender at any time while you are serving on active duty and up to 180 days after release from active duty.

What is the Military Lending Act and what are my rights?

The Military Lending Act (MLA) is a Federal law that provides special protections for active duty servicemembers like capping interest rates on many loan products.

What are my rights under the MLA?

Answer: The MLA applies to active duty servicemembers (including those on active Guard or active Reserve duty), spouses, and certain dependents. It limits the interest rates that may be charged on many types of consumer loans to no more than 36% and provides other important protections.

Your rights under the MLA include:

- **A 36% interest cap.** You can't be charged more than a 36% Military Annual Percentage Rate (MAPR), which includes costs like the following in calculating your interest rate (with some exceptions):
 - Finance charges
 - Credit insurance premiums
 - Add-on credit-related products sold in connection with the credit
 - Fees like application fees, participation fees, or fees for debt cancellation contracts, with some exceptions.
- **No mandatory waivers of certain legal rights.** A creditor can't require you to submit to mandatory arbitration or give up certain rights you have under State or Federal laws like the Servicemembers Civil Relief Act.
- **No mandatory allotments.** A creditor can't require you to create a voluntary military allotment in order to get the loan.
- **No prepayment penalty.** A creditor can't charge a penalty if you pay back part - or all - of the loan early.

What types of loans are now covered under the MLA?

Answer: In 2015, the Department of Defense (DoD) expanded by rule the types of credit products that are covered by the MLA. In general, the consumer credit products now covered when offered to active-duty servicemembers and their covered dependents include, but are not limited to:

- Payday loans, deposit advance products, tax refund anticipation loans, and vehicle title loans;
- Overdraft lines of credit but not traditional overdraft services;
- Installment loans but not installment loans expressly intended to finance the purchase of a vehicle or personal property when the credit is secured by the vehicle or personal property being purchased; and



Learn more at [consumerfinance.gov](#)

1 of 4



Learn more at [consumerfinance.gov](#)

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4. What servicemember complaints are showing us

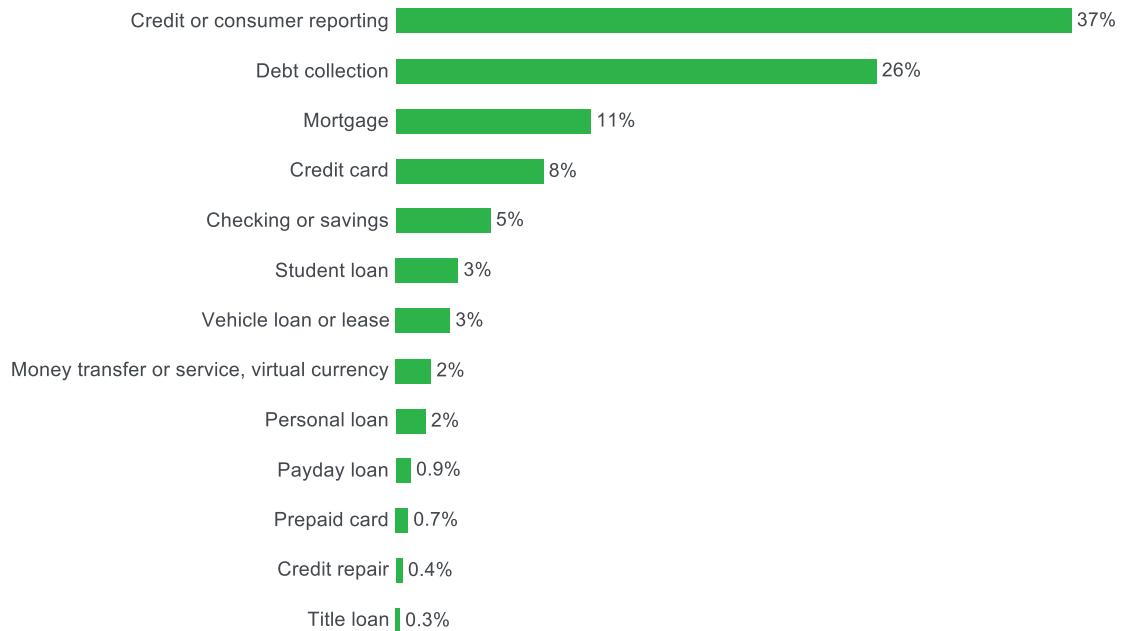
When submitting a complaint to the Bureau, consumers have the option to identify their military status (active duty, reserve, guard, veteran, or military dependent), branch of service, and rank. This self-identification helps the OSA better pinpoint key issues being raised by different segments of the military population, and compare these complaint trends to the US population as a whole.

Complaints submitted by servicemembers serve as a key initial indicator of emerging issues and continuing trends in the financial marketplace. The OSA monitors and analyzes these complaints to inform Bureau and external stakeholders to assist in addressing these issues as they evolve.

4.1 Complaints at a glance

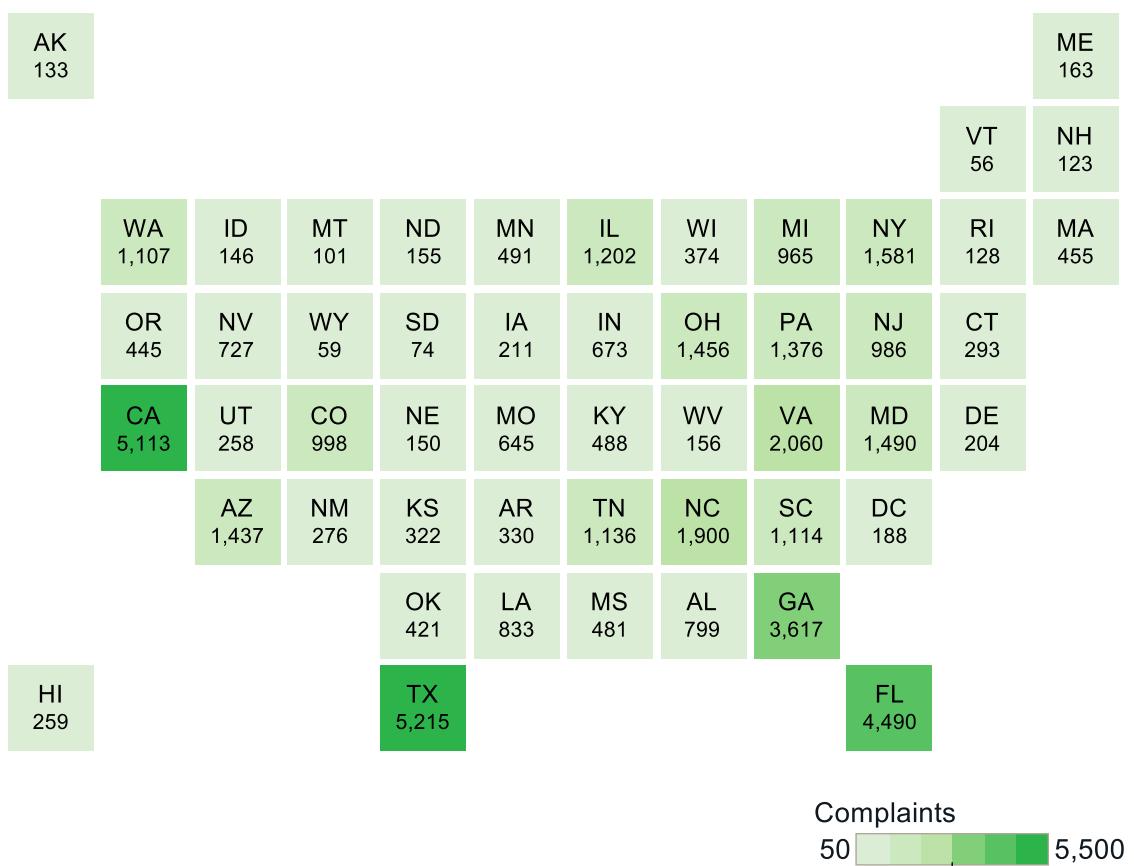
The Bureau has received approximately 48,800 complaints from servicemembers during the reporting period for this report between April 1, 2017 and August 31, 2018. Credit or consumer reporting and debt collection continue to be the most-complained-about consumer financial products or services reported by servicemembers as shown in Figure 1. Complaints submitted to the Bureau about these two products account for almost 64% of the total complaints submitted by servicemembers.

FIGURE 1: COMPLAINT VOLUME BY FINANCIAL PRODUCT OR SERVICE SUBMITTED BY SERVICEMEMBERS



The Bureau has received complaints from servicemembers in all 50 states. We have received the most complaints from states with large military populations such as California, Texas, Florida, and Georgia.

FIGURE 2: COMPLAINT VOLUME BY STATE SUBMITTED BY SERVICEMEMBERS



4.2 Complaint types

4.2.1 Credit or consumer reporting

Figure 3 shows the types of credit or consumer reporting complaints reported by servicemembers – approximately 18,100 credit or consumer reporting complaints were handled by the Bureau during the reporting period.³³

³³ The reporting period for complaint types in Section 4.2 is April 1, 2017 to August 31, 2018

FIGURE 3: TYPES OF CREDIT OR CONSUMER REPORTING COMPLAINTS SUBMITTED BY SERVICEMEMBERS



The majority of credit or consumer reporting complaints servicemembers submitted to the Bureau involved perceived inaccuracies on servicemembers' credit reports. Servicemembers stated that they did not recognize accounts or credit inquiries on their reports and in some cases, asserted that these inaccuracies were the result of identity theft or fraud.

Servicemembers are more likely than non-servicemembers to complain about a consumer reporting company's investigation into a disputed item on their credit report.³⁴ Most of these complaints assert that the consumer reporting company's investigation did not fix the error on the servicemember's credit report. Servicemembers are also slightly more likely than non-servicemembers to complain that their credit report is being used improperly (e.g., unauthorized "hard pull").³⁵ We expect these issues to become increasingly prevalent due to the new security clearance guidelines recently implemented by the Department of Defense and referenced earlier in Section 2.

In 2017, a breach of consumers' data at Equifax resulted in the submission of a large volume of complaints. Servicemembers complained about the customer service they received when they attempted to set up security freezes and alerts in response to the breach. As a result, the OSA highlighted many of the options to counter the risks of identity theft, and provided reminders of some of the unique rights that servicemembers have to protect their credit reports.

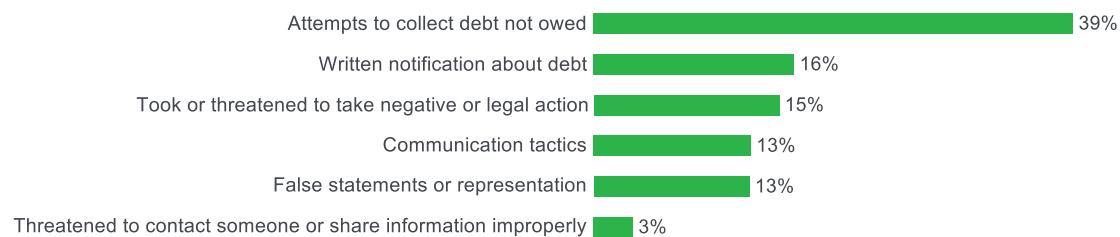
³⁴ Twenty-one percent of credit reporting complaints from non-servicemembers raise the issue of reinvestigation compared with 25% of credit reporting complaints from servicemembers

³⁵ Sixteen percent of credit reporting complaints submitted by non-servicemembers allege an unauthorized use of a consumer's credit report compared with 17% of credit reporting complaints from servicemembers

4.2.2 Debt collection

Figure 4 shows the types of debt collection complaints reported by servicemembers – approximately 12,900 debt collection complaints were handled by the Bureau during the reporting period.

FIGURE 4: TYPES OF DEBT COLLECTION COMPLAINTS SUBMITTED BY SERVICEMEMBERS



The most common type of debt collection complaint is about continued attempts to collect a debt that the servicemember believes is not owed. Similarly to non-servicemembers, servicemembers complained about debts appearing on their credit or consumer reports without prior written notice of the existence of the debt. In these complaints, some servicemembers noted that they recognized neither the company reporting the debt nor the amount in collection. Servicemembers also asserted that they wrote to companies and requested additional information, but the companies did not respond. Some of these consumers described being frustrated when companies had not provided information or guidance about how to resolve the debt.

Servicemembers also complained about the communication tactics companies used when attempting to collect a debt, such as frequent and repeated calls, calls before 8AM and after 9PM, and calls after the servicemember requested no further telephone contact about the debt. We continue to receive complaints about calls to third parties or calls to the servicemember's place of employment, including their chain of command.

While the top debt collection issues are similar for servicemembers and non-servicemembers, servicemembers are more likely to complain about a debt collector taking or threatening to take legal action against them.³⁶ The OSA has previously documented [debt collectors inappropriately](#)

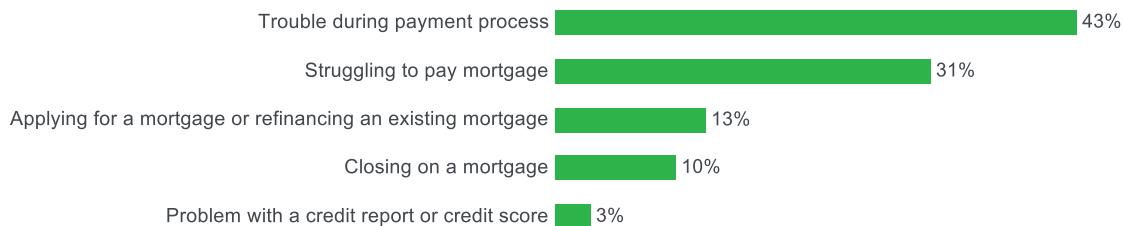
³⁶ Non-servicemembers indicated a debt collector taking or threatening to take legal action in 12% of debt collection complaints compared with 15% of debt collection complaints from servicemembers

[threatening servicemembers](#) with Uniform Code of Military Justice (UCMJ) action in previous complaint reports.³⁷

4.2.3 Mortgages

Figure 5 shows the types of mortgage complaints reported by servicemembers – approximately 5,200 mortgage complaints were handled by the Bureau during the reporting period.

FIGURE 5: TYPES OF MORTGAGE COMPLAINTS SUBMITTED BY SERVICEMEMBERS



The most common type of mortgage complaint involved problems servicemembers faced when they were unable to make payments, such as issues relating to loan modifications or collections. Similar to non-servicemembers, servicemembers also described encountering a variety of problems in the payment process when attempting to contact their mortgage servicers. Some servicemembers stated that when they called their servicers, they could not get their single point of contact on the telephone. Complaints suggest that payment application and the management of escrow accounts continue to be a challenge for some servicemembers. Servicemembers described problems with their automatic payments when escrow shortages and surpluses caused a change in their monthly payment. Servicemembers also submitted complaints about mortgage servicing transfers. Some servicemembers described being confused when they received notice that the servicing of their loan was transferring to a new company. Following transfers, some servicemembers described having difficulty reconciling account balances or obtaining information related to their loan terms.

Servicemembers described a range of challenges when attempting to modify their mortgage. Servicemembers complained that servicers requested the same documentation multiple times throughout the loss mitigation process and offered terms that were unaffordable. In particular,

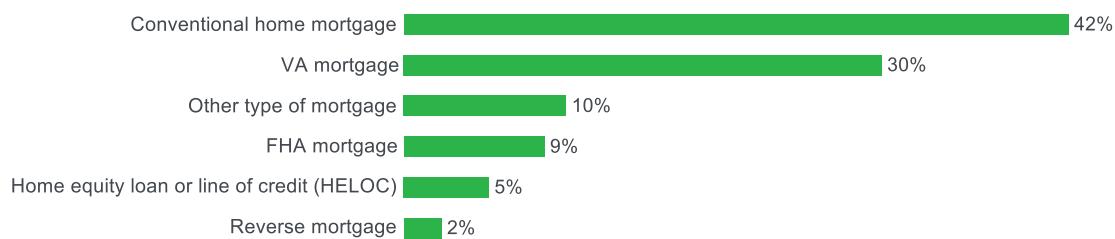
³⁷ Servicemembers 2015: A Year in Review: <https://www.consumerfinance.gov/about-us/blog/servicemembers-2015-a-year-in-review/>

servicemembers continued to experience troubles with [effective loss mitigation options when receiving Permanent Change of Station \(PCS\) orders](#).

While struggling to pay the mortgage is the second highest servicemember issue in mortgage complaints, a comparison versus the non-servicemember population at-large shows that servicemembers experience this problem less frequently than their civilian counterparts.³⁸ This could be attributed to the higher rate at which servicemembers have VA mortgages as opposed to conventional home mortgages. The VA often assists servicemembers who are having trouble making payments and offers financial counseling to those in need. Servicemember complaints are more likely to raise issues with the processing of periodic payments and the application process.³⁹

Conventional home mortgage is the most common type of mortgage product about which servicemembers complained. As shown in Figure 6 below, 42% of servicemember mortgage complaints involve conventional mortgages versus 30% that involve VA mortgages.

FIGURE 6: TYPES OF MORTGAGE PRODUCTS ABOUT WHICH SERVICEMEMBERS COMPLAINED



Last November, the Bureau, in collaboration with the VA, [released a “warning order” to servicemembers and veterans with VA home loans](#) about misleading advertising related to VA mortgages and refinancing offers. These offers often appear official and sound too good to be true, promising extremely low interest rates, thousands of dollars in cash back, or no out-of-pocket costs.

³⁸ Thirty-seven percent of non-servicemember complaints about mortgages list “struggling to pay mortgage” as the top issue, compared with 31% of servicemembers

³⁹ Servicemembers raise payment processing issues in 43% of all mortgage complaints compared with 42% of the population at-large. Servicemembers report issues with the application process in 13% of mortgage complaints versus 10% in total population

4.2.4 Credit cards

Figure 7 shows the types of credit card complaints reported by servicemembers – approximately 4,000 credit card complaints were handled by the Bureau during the reporting period.

FIGURE 7: TYPES OF CREDIT CARD COMPLAINTS SUBMITTED BY SERVICEMEMBERS



Problems with a purchase on servicemembers' statements is the most common type of credit card complaint. Many of these complaints are about a range of concerns related to fraudulent and unauthorized charges on their credit card accounts. Servicemembers continue to complain that they are confused and frustrated by the billing process and by their limited ability to challenge inaccuracies on their billing statements outside of disputing the charge directly with the company. Servicemembers also complain that due to the unique nature of deployments and the challenges of military life, they are often not able to quickly address these incorrect charges or spot that they are a victim of identity theft before thousands of dollars in fraudulent charges have occurred.

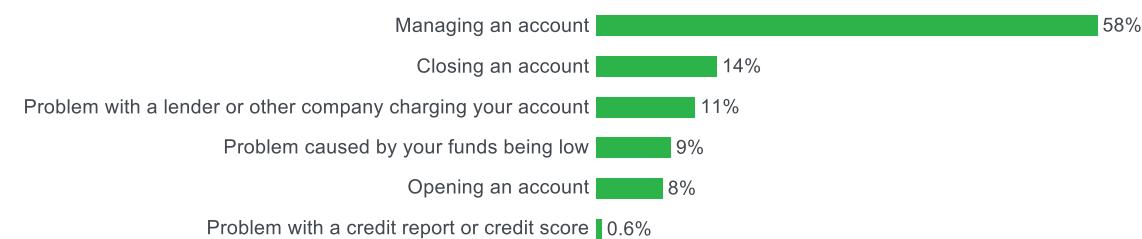
The second highest type of credit card complaints for servicemembers relates to fees or interest charged on the account. Servicemembers are slightly more likely than the general population to complain about fees or interest on credit card accounts.⁴⁰ Recent changes to the regulation implementing the Military Lending Act (MLA) apply the MLA's rate cap to credit card accounts and could increase the volume of this complaint type from servicemembers. The Bureau will continue to monitor complaints relative to the MLA and credit card accounts.

⁴⁰ Sixteen percent of servicemembers indicated “fees or interest” as an issue in their credit card complaints as compared to non-servicemembers who complained about this issue only 14% of the time

4.2.5 Checking or savings

Figure 8 shows the types of checking or savings complaints reported by servicemembers – approximately 2,600 checking or savings complaints were handled by the Bureau during the reporting period.

FIGURE 8: TYPES OF CHECKING OR SAVINGS COMPLAINTS SUBMITTED BY SERVICEMEMBERS



The most common type of checking or savings complaint relates to managing, or opening and closing the account. These complaints also address issues such as account maintenance fees, changes in account terms, confusing marketing, unauthorized fund transfers, and involuntary account closures. Other common complaints relate to deposit and withdrawal issues, such as transaction holds, the company's right to use offset to remove funds from a deposit account, and unauthorized debit card charges.

Servicemembers complain about issues with closing accounts slightly more frequently than non-servicemembers.⁴¹ Frequent moves associated with military life may be the cause of this difference as military families move an average of three times more frequently than non-military families.⁴²

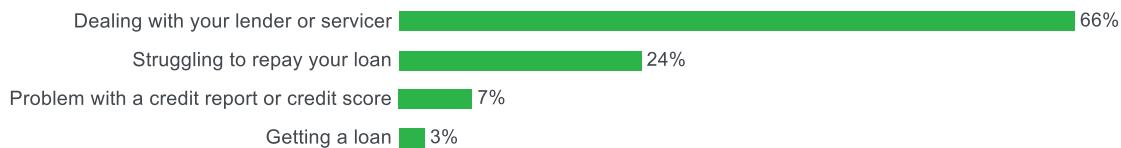
4.2.6 Student loans

Figure 9 shows the types of student loan complaints reported by servicemembers – approximately 1,700 student loan complaints were handled by the Bureau during the reporting period.

⁴¹ Fourteen percent of servicemembers cited “closing an account” in their checking and savings complaints to the Bureau as opposed to only 10% for non-servicemembers

⁴² <https://www.dodea.edu/Partnership/about.cfm>

FIGURE 9: TYPES OF STUDENT LOAN COMPLAINTS REPORTED BY SERVICEMEMBERS



The most common type of student loan complaint concerns dealing with lenders or servicers. Servicemembers report problems with payment application, difficulty enrolling in payment plans and payment deferral programs, and inaccurate information on their credit reports. Servicemembers complain about the limited affordable payment options permitted in their loan agreements. Specifically, some servicemembers say they are unable to refinance or restructure the repayment terms of their loan to lower monthly payments during periods of financial hardship.

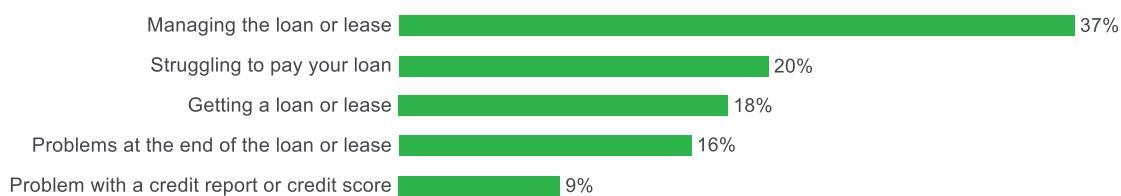
The Bureau receives a significant number of complaints from servicemembers experiencing issues during their annual recertification of income-driven repayment (IDR) plans. In order to stay enrolled in an IDR plan borrowers must annually submit information, generally an income tax return, to prove that they still qualify for an affordable monthly payment (known as “recertification”). If the recertification process is not completed in time, their payments will snap back to the amount they would have owed under a standard 10-year repayment plan—usually much higher than the amount they paid under their income-driven plan.

The complaints assert that servicers frequently fail to effectively communicate about the recertification process, and, as a result, borrowers struggle to meet these deadlines. The Bureau hears from borrowers that their only option is to place their account into forbearance while they wait on the completion of their recertification in order to lower their payment back to an affordable amount. Even if forbearance is available to the borrower, they are still subject to interest capitalization during that time. [Read here for more information on income-driven repayment plans and recertification.](#)

4.2.7 Vehicle loans or leases

Figure 10 shows the types of vehicle loan or lease complaints reported by servicemembers – approximately 1,400 vehicle loan or lease complaints were handled by the Bureau during the reporting period.

FIGURE 10: TYPES OF VEHICLE LOAN OR LEASE COMPLAINTS SUBMITTED BY SERVICEMEMBERS



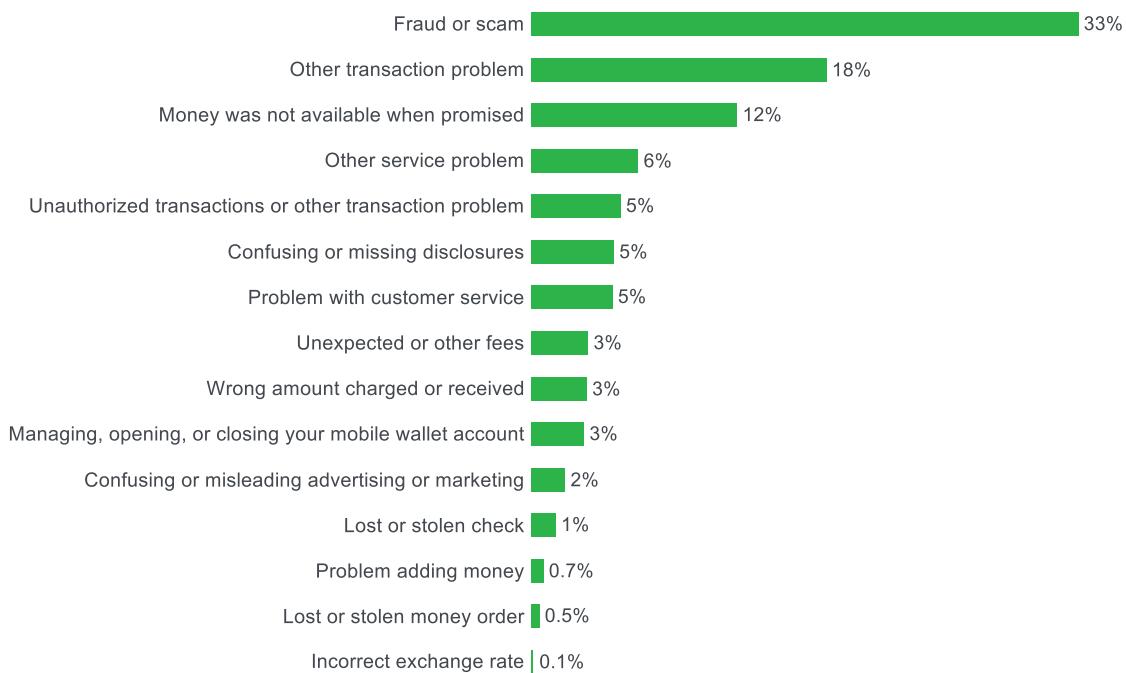
The most common type of vehicle loan or lease complaint pertains to managing the loan or lease. Some servicemembers complained to the Bureau about problems related to late fees and payment application. Some servicemembers stated that they incurred a late fee, but did not receive a notice from their lender informing them of the fee. Some servicemembers described falling into a cycle of partial payments and late fees that cost them thousands of dollars over the course of their loan.

Servicemembers also complained about lenders applying payments to principal and interest incorrectly. Some alleged that lenders ignored their payment application instructions and applied payments in a manner inconsistent with what they had anticipated. These servicemembers noted that payment misapplication resulted in longer repayment terms and a higher total cost for the loan.

4.2.8 Money transfers, money services, and virtual currencies

Figure 11 shows the types of money transfer, money service, and virtual currency complaints reported by servicemembers – approximately 1,000 money transfer, money service, and virtual currency complaints were handled by the Bureau during the reporting period.

FIGURE 11: TYPES OF MONEY TRANSFERS, MONEY SERVICES AND VIRTUAL CURRENCIES ABOUT WHICH SERVICEMEMBERS COMPLAINED



Fraud is the most frequently raised issue in complaints about money transfers, money services, and virtual currencies. Servicemembers submitted complaints about fraudulent transfers as a result of scams. Servicemembers who were victims of money transfer scams—in particular, those who sent money to people with whom they do not have a personal relationship—reported difficulty getting their money back after they initiated the transfer.

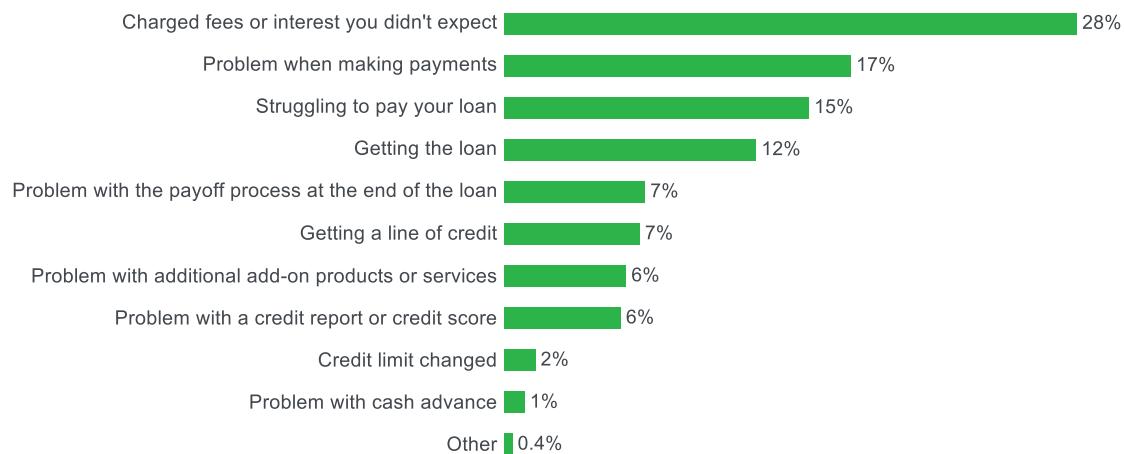
Some servicemembers complained to the Bureau when money remitters placed holds on or cancelled transactions to their family and friends due to suspected fraud. These servicemembers alleged that money remitters held or cancelled their transactions without providing additional details other than that fraud was suspected.

Some servicemembers also complained about their ability to access their virtual currency accounts. Some servicemembers described that difficulty logging into their accounts created delays, preventing them from making timely transactions during periods of rapid and large currency value fluctuations. Servicemembers asserted that although their virtual currency account provider represented that account holders would be able to access their funds within 48 hours following a trade, virtual currency exchanges delayed the release of their funds for longer periods—sometimes for more than one week.

4.2.9 Personal loans

Figure 12 shows the types of personal loan complaints reported by servicemembers – approximately 800 personal loan complaints were handled by the Bureau during the reporting period.

FIGURE 12: TYPES OF PERSONAL LOAN COMPLAINTS SUBMITTED BY SERVICEMEMBERS

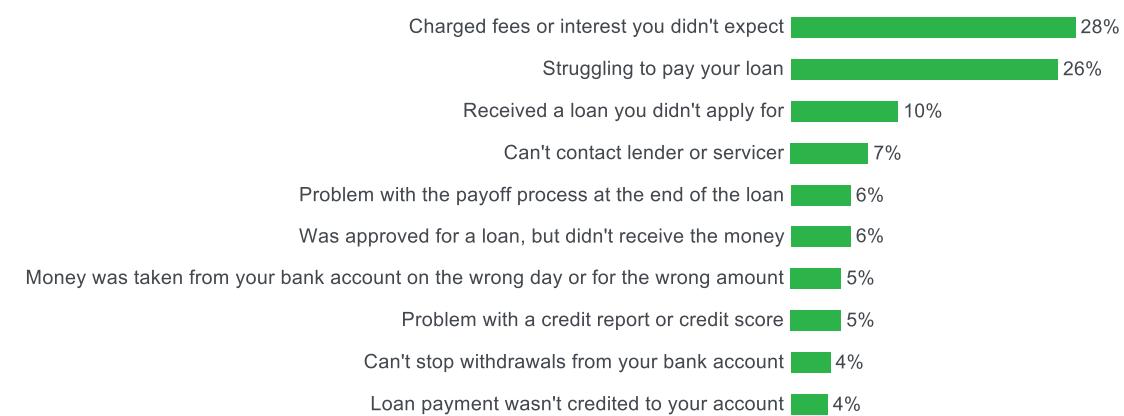


The top issue raised by servicemembers in personal loan complaints involves being charged fees or interest that they didn't expect. This issue is followed by servicemembers who report problems making payments on a personal loan, and struggling to pay back a personal loan.

4.2.10 Payday loans

Figure 13 shows the types of payday loan complaints reported by servicemembers – approximately 400 payday loan complaints were handled by the Bureau during the reporting period.

FIGURE 13: TYPES OF PAYDAY LOAN COMPLAINTS SUBMITTED BY SERVICEMEMBERS



The majority of servicemember complaints regarding payday lending involve being charged fees or interest which was unexpected and difficulty in repaying their payday loan.

Historically, servicemembers have been almost twice as likely to submit a complaint about payday lending as non-servicemembers.⁴³ However, payday loan complaints, as a percentage of all servicemember complaints, have declined from 2016 to 2017. Complaints about payday lending declined more than 26% between 2016 and 2017. Since 2016, servicemember complaints about payday loans, as a percentage of the total complaint volume, is now equal with non-servicemembers.

⁴³ Two percent of all servicemember complaints submitted since 2011 involve payday lending as oppose to 1% for non-servicemembers

5. Coordination with other agencies

The OSA engages internally and externally to coordinate efforts among federal and state agencies regarding consumer protection measures relating to consumer financial products and services offered to, or used by, servicemembers and their families.⁴⁴ For example, we worked with:

- **Department of Defense (DOD):** We worked with DOD to inform new recruits that they may want to reconsider paying \$1,200 to buy into the old GI Bill when they qualify for the new, more generous Post-9/11 GI Bill for free.⁴⁵
- **Department of Veterans Affairs (VA):** We worked with the VA to issue a “WARNO”, warning order, about VA refinance offers that sound too good to be true.⁴⁶
- **Department of Education (ED):** We helped ED get the word out about a new student loan discharge program that will allow veterans with severe disabilities to discharge over \$1 billion in student loans.⁴⁷
- **Federal Trade Commission (FTC):** We worked with the FTC on a four part blog series to better educate servicemembers and their families about the car-buying process.⁴⁸

⁴⁴ Id. § 1013(e)(1)(C)

⁴⁵ What does the Coast Guard know about the GI Bill that the other services do not?

<https://www.consumerfinance.gov/about-us/blog/what-does-coast-guard-know-about-gi-bill-other-services-do-not/>

⁴⁶ CFPB and VA WARNO: VA refinancing offers that sound too good to be true

<https://www.consumerfinance.gov/about-us/blog/cfpb-and-va-warno-va-refinancing-offers-sound-too-good-be-true/>

⁴⁷ Check your mailbox: Veterans with severe disabilities and student loans should keep an eye out for this

<https://www.consumerfinance.gov/about-us/blog/check-your-mailbox-veterans-severe-disabilities-and-student-loans-should-keep-eye-out/>

⁴⁸ Servicemembers, arm yourself with basic car buying skills – How to shop for auto financing

<https://www.consumerfinance.gov/about-us/blog/servicemembers-arm-yourself-basic-car-buying-skills-how-to-shop-auto-financing/>

In addition, the Director of the Bureau may enter in agreements with the Department of Defense, including any branch or agency as authorized by the department, in order to help OSA carry out its statutory mandate.⁴⁹

For example, the Bureau has Memoranda of Understanding with the DOD, VA and ED to better protect servicemembers, veterans, and their family members who are attending college.⁵⁰ The Bureau also signed a joint statement of principles with the military's top uniformed lawyers to provide stronger protections for servicemembers and their families in connection with consumer financial products and services.⁵¹ It is through these key partnerships with the military branches and the DOD that the OSA is able to reach servicemembers, veterans, and their families who at times are unaware of the options available to them to handle a range of financial issues.

Finally, the Bureau coordinates with the Federal Trade Commission and the Federal Reserve Board of Governors to ensure that complaints by service members and their families concerning motor vehicle dealers are effectively monitored and responded to, and where appropriate, enforcement action is pursued by the authorized agencies.⁵²

⁴⁹ Id. § 1013(e)(2)(B)

⁵⁰ <https://www.consumerfinance.gov/about-us/blog/working-together-to-protect-student-veterans/>

⁵¹ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-and-militarys-top-uniformed-lawyers-release-joint-statement-of-principles/>

⁵² Id. § 1029(e)(2)

6. Where the OSA is headed

The Bureau is committed to ensuring that servicemembers and their families have high levels of financial readiness, so troops can continue to be mission-focused. The OSA will continue to employ an array of tools and resources to meet the Bureau's core obligations to educate and empower servicemembers, to monitor their complaints, and coordinate with other state and federal agencies so that servicemembers' financial concerns are given the attention they deserve.

As conveyed in this report, we continue to listen to and engage with the military community to learn of emerging trends and issues, and when necessary alert other offices internal and external to the Bureau of the potential impact on military families. Monitoring consumer complaints provides us an extraordinary lens through which we gain insight to the most common and vexing financial problems facing military consumers. Complaints enable us to better work with our federal and state partners to protect military consumers.

The military lifecycle can be physically and emotionally strenuous at times for servicemembers, veterans, and their families. Adding financial stresses to that life of service can be a burden too heavy to bear. The OSA will continue to promote financial awareness and prudent decision-making where possible to help keep our bravest from falling into financial disarray.

We look forward to the mission ahead.

APPENDIX A:

OSA by the numbers

Over \$1 billion: Over 40,000 veterans with severe disabilities may now be eligible for tax free discharge of their student loans (2018)

\$130 million: Approximate amount of relief through CFPB enforcement actions to servicemembers, veterans and their families harmed by illegal practices (2011 – present)

\$60 million+: Relief back to over 78,000 servicemembers harmed by SCRA violations identified through OSA's monitoring of complaints (2015)

\$1.6 million: Approximate amount of monetary relief provided to military consumers who submitted a complaint to the Bureau, as reported by companies (April 2017 - August 2018)

48,800: Complaints from servicemembers, veterans and their families handled (April 2017 – August 2018)

67,600: Total number of visitors to <http://www.consumerfinance.gov/servicemembers> (2011 - present)

46,000+: Quantity of financial education products provided to military leaders, service providers, servicemembers, veterans and their families by OSA (2011 – present)

1.3 million: Active duty servicemembers affected by DOD's policy change to end the use of military allotments for purchase, rent, or lease of personal property, based on consultation with OSA (2014)

22,423: Number of future servicemembers participating in the OSA's financial literacy training before attending basic training (2016 – present)

1,000+: Number of *Ask CFPB* questions with answers to commonly-asked consumer questions, with dozens of servicemember-specific questions (2011 – present)

148: Visits to military installations (2011 – present)