

Complaints received from servicemembers, veterans, and their families

A snapshot by the Office of Servicemember Affairs



Consumer Financial
Protection Bureau

March 2014

Message from Holly Petraeus

Assistant Director for the Office of Servicemember Affairs



Hello and welcome from the Office of Servicemember Affairs (OSA) at the Consumer Financial Protection Bureau (CFPB)!

This is our second complaint report detailing the data and trends surrounding complaints submitted to the CFPB by servicemembers, veterans and their families. As you can see in the report, our complaint volume has steadily risen since July 2011 when we first started taking complaints. I am particularly pleased to report that servicemembers, veterans and their families who complained to the CFPB about financial products or services have recovered more than \$1 million. We have also added two new complaint categories in the past year starting with debt collection complaints last July and payday loan complaints in November.

The sheer volume of debt collection complaints alone makes this an important complaint category for OSA. Beyond the numbers, however, I have heard in my many visits to military installations across the country about aggressive and deceptive tactics by debt collectors specifically targeting members of the military. These tactics to coerce payment often involve contacting a servicemember's military chain of command, threatening punishment under the Uniform Code of Military Justice, threatening to have a servicemember reduced in rank, or threatening to have a servicemember's security clearance revoked.

Payday loans have been and continue to be an important issue for OSA as well. If you are a servicemember on active duty you, your spouse, and certain dependents have the protection of a special law called the Military Lending Act (MLA). The [MLA says](#) that you can't be charged an

interest rate higher than 36 percent on certain types of consumer loans, and that includes [certain payday loans, auto title loans, and tax-refund anticipation loans](#). The MLA provides protections that the average citizen doesn't have when it comes to payday loans, and the CFPB is one of several federal agencies that have the power to enforce the MLA.

These two new complaint categories of debt collection and payday loans are critical to our population and will be closely monitored to spotlight issues specific to servicemembers, veterans and their families.

While much has happened with the work of the Office of Servicemember Affairs over the past year, our mission remains the same – to work on consumer financial challenges affecting military personnel, veterans, and their families. Those who serve, or have served, our country should not have to worry about falling victim to unfair, deceptive, or abusive financial practices. It's my honor to represent the military community here at the CFPB and to make sure that its concerns are heard – and that we do something about them.

Sincerely,

A handwritten signature in black ink that reads "Holly Petraeus". The signature is fluid and cursive, with "Holly" on top and "Petraeus" below it.

Holly Petraeus

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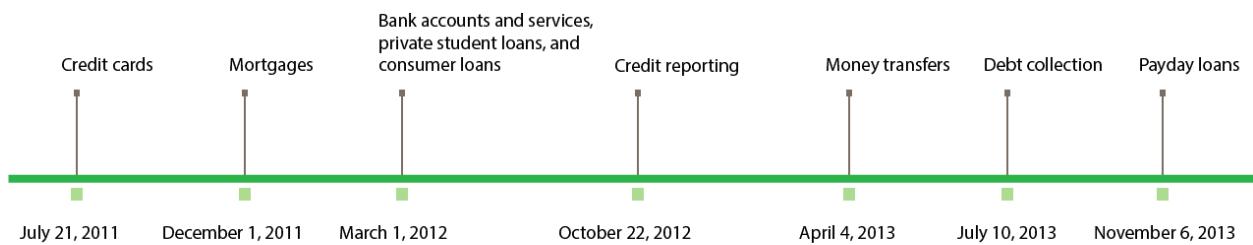
1. Introduction

The Consumer Financial Protection Bureau (“CFPB” or “Bureau”) began consumer response operations on July 21, 2011 and became the first federal agency solely focused on consumer financial protection. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”) created the Bureau to protect consumers of financial products or services and to encourage the fair and competitive operation of consumer financial markets. Collecting, investigating, and responding to consumer complaints are integral parts of the CFPB’s work, as Congress set forth in the Dodd-Frank Act.¹

The Bureau’s Office of Consumer Response (Consumer Response) hears directly from consumers about the challenges they face in the marketplace, brings their concerns to the attention of financial institutions, and assists in addressing their complaints.

The CFPB began accepting consumer complaints about credit cards on July 21, 2011. The CFPB now accepts complaints related to mortgages, bank accounts and services, private student loans, other consumer loans, credit reporting, money transfers and debt collection. Most recently, on November 6, 2013, it began handling payday loan complaints. The CFPB continues to work towards expanding its complaint handling capacity to include other products and services. Consumers may also contact the CFPB with questions about other products and services. The Bureau answers these questions and refers consumers to other regulators or additional resources as appropriate.

¹ See Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1021 (c)(2).



The Dodd-Frank Act created the Office of Servicemember Affairs (OSA) at CFPB to address the specific challenges faced by military consumers.² OSA works with Consumer Response on complaints submitted by servicemembers, veterans, or their spouses and dependents, providing subject-matter expertise and helping to monitor complaints. This snapshot report provides an overview of complaints from military consumers and presents an analysis of complaints received over the period from July 21, 2011 through February 1, 2014.

² For OSA, the phrase “military consumer” means active-duty, Reserve and National Guard military members, veterans, and their dependents.

2. Results

2.1 Summary

From July 21, 2011 through February 1, 2014, the CFPB received approximately 14,100 complaints from military consumers. This total includes approximately 1,700 credit card complaints, 4,700 mortgage complaints, 1,500 bank account and services complaints, 400 private student loan complaints, 600 consumer loan complaints, 1,200 credit reporting complaints, 50 money transfer complaints, 3,800 debt collection complaints, and 100 payday loan complaints. The complaint volume from military consumers has grown steadily over time, rising 148% from 2012 to 2013.

FIGURE 1: COMPLAINTS OVER TIME FROM MILITARY CONSUMERS

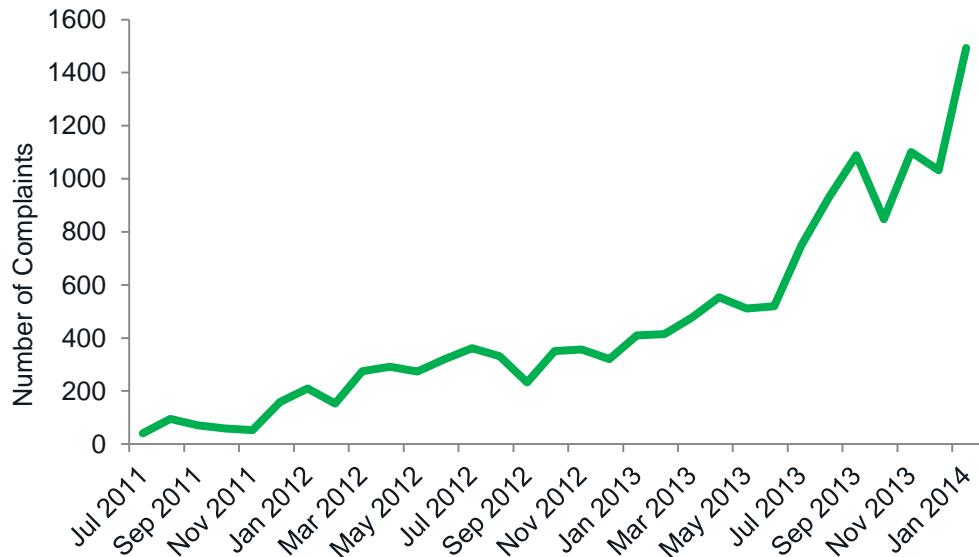
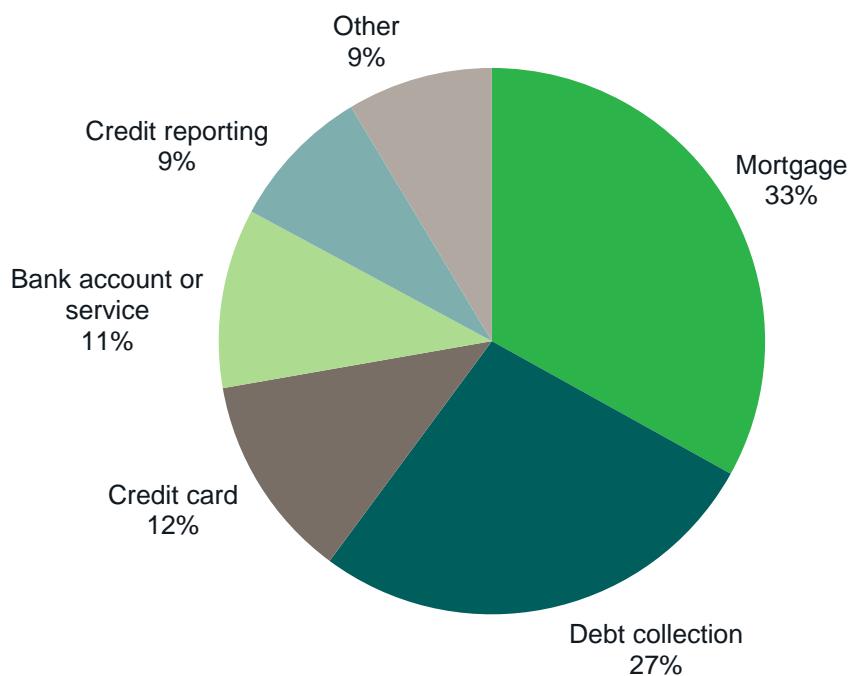


FIGURE 2: COMPLAINTS BY PRODUCT FROM MILITARY CONSUMERS



Approximately 62 percent³ of all complaints were submitted through the CFPB's website and 23 percent via telephone calls. Referrals from other regulators and agencies accounted for eight percent of all complaints received. The rest were submitted by mail, email, and fax.

Approximately 9,700 complaints (69 percent) have been sent to companies for review and response. The remaining complaints have been referred to other regulatory agencies (20 percent), found to be incomplete (6 percent), or are pending with the consumer or the CFPB (5 percent). Companies have already responded to approximately 8,700 complaints or 90 percent of the complaints sent to them for response.

Once the company responds, the CFPB provides this response to the consumer for review. Consumers are given the option to provide feedback on the company's response. Consumers are asked to notify the CFPB within 30 days if they want to provide feedback by disputing a

³ Note that percentages in this snapshot report may not sum to 100 percent due to rounding.

company's response. Military consumers have disputed approximately 2,000 company responses (23 percent) to complaints.

The product-specific analyses below describe complaints by product type as reported by consumers, actions taken, company responses, and consumer feedback to company responses.

2.2 Credit card complaints

The CFPB has handled approximately 1,700 credit card complaints from military consumers. Billing disputes are the most common type of credit card complaint (14 percent). Some consumers are confused and frustrated by the process and by their limited ability to challenge inaccuracies on their monthly credit card billing statements. For example, some consumers realize only after their claim has been denied that they needed to notify their credit card company within 60 days of any billing errors. In other cases, consumers are not aware that companies typically do not stop a merchant charge once the cardholder has authorized it or do not override a merchant's "no-return policy." Other common types of credit card complaints relate to identity theft, fraud or embezzlement (9 percent) and annual percentage rates or interest rates (8 percent).

Consumers continue to report problems with the Servicemember's Civil Relief Act (SCRA). One consumer complained that his credit card company sought a default judgment against him while he was deployed. The judgment was obtained without the proper documentation as required under the SCRA, and as a result, the consumer was unable to contest the judgment. The consumer submitted a complaint to the CFPB and the problems associated with the judgment were addressed; as a result, the consumer's credit report was corrected and he obtained additional monetary relief.

I am trying to rectify a credit issue [with my credit card] which is affecting my security clearance with the United States Army. My credit report currently reflects a judgment.

I am an active duty service member currently deployed to Afghanistan. I would like to clear this matter if at all possible before I re-deploy back to the United States.

Army E-4, South Carolina

TABLE 1: MOST COMMON CREDIT CARD COMPLAINTS REPORTED BY MILITARY CONSUMERS

Complaint	%
Billing disputes	14%
Identify theft / fraud / embezzlement	9%
APT or interest rate	8%
Other	7%
Closing / cancelling account	7%
Credit reporting	6%
Credit card protection / debt protection	5%
Collection debt dispute	4%
Collection practices	4%
Late fee	4%

Approximately 1,400 (82 percent) credit card complaints have been sent to companies for review and response. The remaining credit card complaints have been referred to other regulatory agencies (13 percent), found to be incomplete (4 percent), or are pending with the consumer or the CFPB (1 percent). Companies have already responded to approximately 1,300 complaints or 91 percent of the complaints sent to them for response. Since December 2011, companies have also had the option of reporting the amount of monetary relief, if any. The median amount of relief reported for military consumers was \$143 with \$25 being the most common amount of relief for the approximately 298 credit card complaints where companies reported relief. Consumers have disputed approximately 300 company responses (24 percent) to credit card complaints.

2.3 Mortgage complaints

The CFPB has handled approximately 4,700 mortgage complaints from military consumers. The most common type of mortgage complaint concerns problems consumers face when they are unable to make payments, such as issues related to loan modifications, collections, or foreclosures (55 percent). Consumers who have submitted these complaints generally appear to be driven by a desire to seek agreement with their companies on foreclosure alternatives. The complaints indicate that consumer confusion persists around the process and requirements for obtaining loan modifications and refinancing, especially regarding document submission timeframes, payment trial periods, allocation of payments, treatment of income in eligibility calculations, and credit bureau reporting during the evaluation period. The shelf life of documents provided as part of the loan modification process is of particular concern to consumers. Although consumers must provide documents within short time periods and income documentation generally remains valid for up to 60 days, lengthy evaluation periods can result in consumers having to resubmit documentation – sometimes more than once – contributing to consumer fatigue and frustration with these processes.

In particular, military consumers have reported frustration with mortgage servicers' lack of knowledge about military-specific programs. Consumers report that servicers remain unaware of the [permanent change of station guidance issued by the CFPB and other federal financial regulators](#) as well as short-sale guidelines aimed at assisting servicemembers with PCS orders, such as the [Federal Housing Financial Agency's August 2012 Short Sale Guidelines for Fannie and Freddie Loans](#). One consumer, a Navy officer, contacted his servicer in order to obtain approval for a short-sale pursuant to his receipt of PCS orders. He reports that he was told that he would not qualify unless he was delinquent on his mortgage payment. After the missed payments were reported to the credit bureaus, lowering the consumer's credit score, the consumer submitted his complaint to the CFPB. The company acknowledged that the consumer qualified for the short sale due to his receipt of PCS orders, and did not need to be delinquent to qualify; as a result, the company agreed to correct the delinquency reporting.

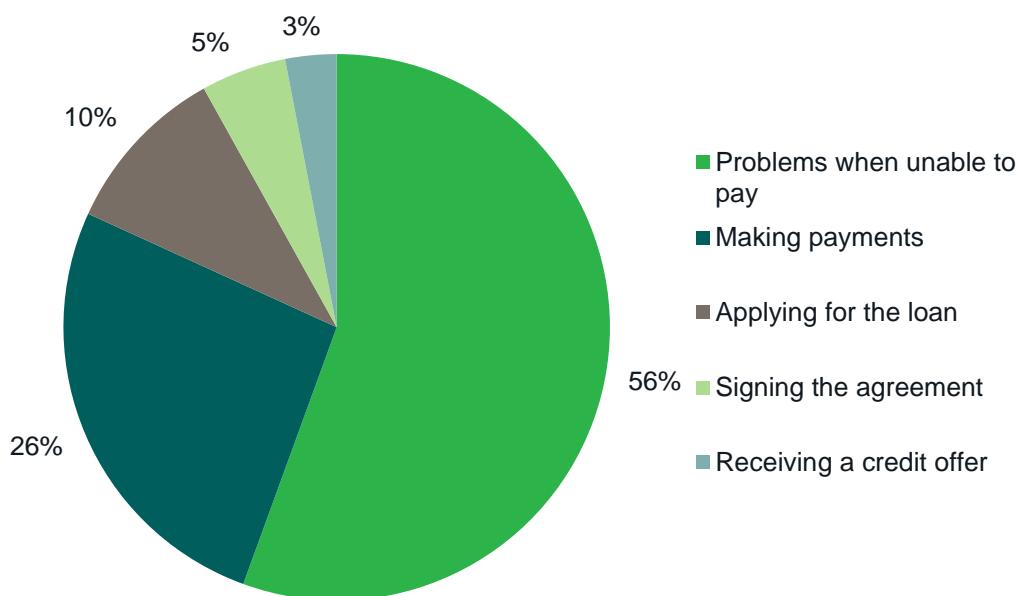
In February 2011, we contacted the primary lender and requested a short sale. We were told by representatives that in order to approve our short sale, we would have to miss two or more payments. Once we had missed consecutive payments, (and ONLY once this happened) the mortgage company approved our short sale... Had they agreed with the short sale, with the obvious hardship we had expressed, the missed payments

would have been unnecessary...We believe (and hope) you understand that as members of the military, these events happened beyond our control.

Navy o-5, North Carolina

Other common types of mortgage complaints address issues related to making payments, such as loan servicing, payments, or escrow accounts (26 percent). For example, consumers express confusion about whether making timely trial period payments will guarantee placement into a permanent modification.

FIGURE 3: TYPES OF MORTGAGE COMPLAINTS REPORTED BY MILITARY CONSUMERS



Approximately 4,100 (86 percent) mortgage complaints have been sent by the CFPB to companies for review and response. The remaining mortgage complaints have been referred to other regulatory agencies (9 percent), found to be incomplete (3 percent), or are pending with the consumer or the CFPB (2 percent). Companies have already responded to approximately 3,700 complaints or 91 percent of the complaints sent to them for response. The median amount of monetary relief reported for military consumers was \$470 for the approximately 134

mortgage complaints where companies reported relief. Consumers have disputed approximately 900 company responses (25 percent) to mortgage complaints.

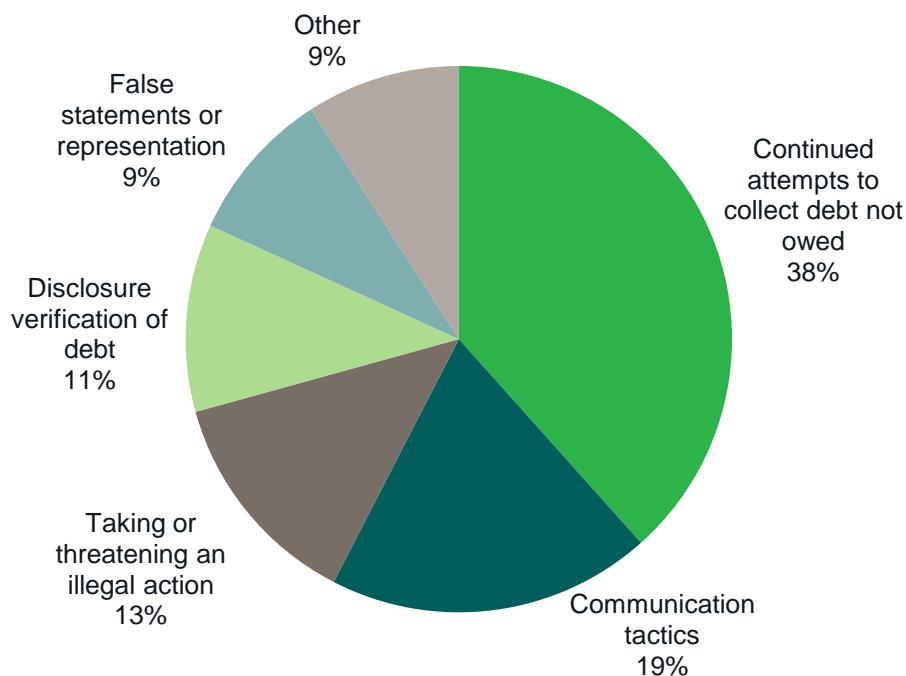
2.4 Debt collection complaints

The CFPB has handled approximately 3,800 debt collection complaints from military consumers. The most common type of debt collection complaint relates to continued attempts to collect a debt not owed (39 percent). Other common complaints relate to communication tactics (19 percent), debt collectors taking or threatening an illegal action (13 percent), disclosure verification of debt (11 percent), or false statements or misrepresentations about a debt (9 percent).

The most common type of debt collection complaint concerns attempts to collect non-existent debts. Consumers report that the collectors attempting to collect on these “phantom debts” are extremely aggressive; often threatening the consumer with immediate arrest, and/or alleging imminent court action that will result in high fines and fees.

Some military consumers who have submitted debt collection complaints report that their initial contracts included provisions authorizing their lender to contact their military commanders should the consumer default on their loan. Other tactics often involve threatening punishment under the [Uniform Code of Military Justice](#), threatening to have a servicemember reduced in rank, or threatening to have a servicemember’s security clearance revoked.

FIGURE 4: TYPES OF DEBT COLLECTION COMPLAINTS REPORTED BY MILITARY CONSUMERS



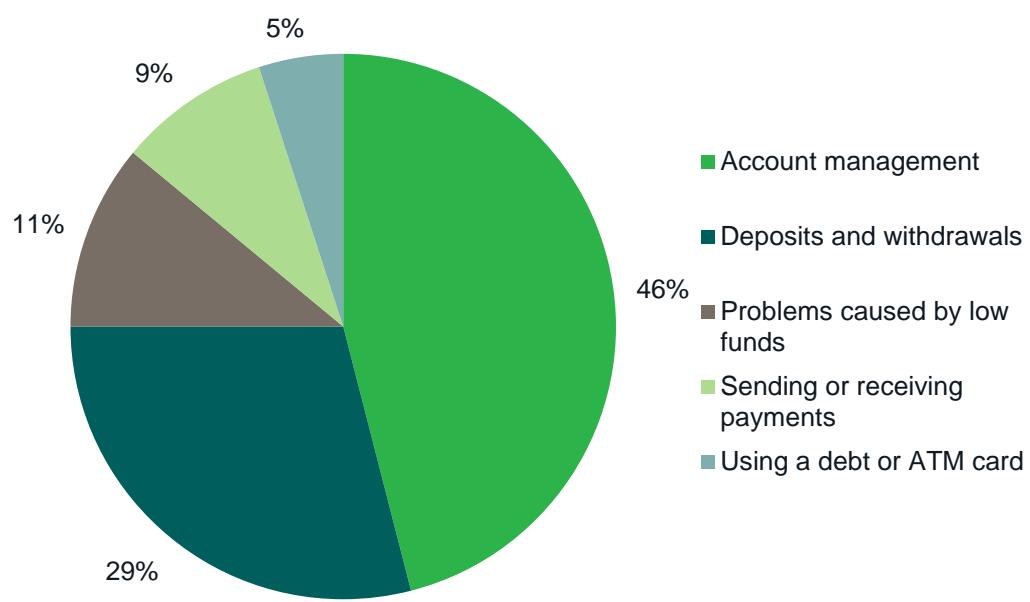
Approximately 1,400 (38 percent) debt collection complaints have been sent by the CFPB to companies for review and response. The remaining debt collection complaints have been referred to other regulatory agencies (37 percent), found to be incomplete (11 percent), or are pending with the consumer or the CFPB (14 percent). Companies have already responded to approximately 1,200 complaints or 84 percent of the complaints sent to them for response. The median amount of monetary relief reported for military consumers was \$619 for the 32 debt collection complaints where companies reported relief. Consumers have disputed approximately 240 company responses (20 percent) to debt collection complaints.

2.5 Bank account or service complaints

The CFPB has handled approximately 1,500 bank account or service complaints from military consumers. The most common type of bank account or service complaint relates to opening, closing, or managing the account (46 percent). These complaints address issues such as confusing marketing, denial, fees, statements, and joint accounts. Other common complaints

relate to deposit and withdrawal issues such as transaction holds and unauthorized transactions (29 percent), and problems caused by the consumer's funds being low, including bounced checks, overdraft and late fees, and credit reporting (11 percent). Many consumers remain frustrated with overdraft fees and the wide discretion companies have to assess these and other fees so long as the fees are outlined in account agreements. Similarly, some consumers express frustration when some companies process larger withdrawal transactions before smaller ones, which can generate more overdraft-fee charges.

FIGURE 5: TYPES OF BANK ACCOUNT OR SERVICE COMPLAINTS REPORTED BY MILITARY CONSUMERS



Approximately 1,100 (73 percent) bank account or service complaints have been sent by the CFPB to companies for review and response. The remaining bank account or service complaints have been referred to other regulatory agencies (20 percent), found to be incomplete (4 percent), or are pending with the consumer or the CFPB (3 percent). Companies have already responded to approximately 1,000 complaints or 93 percent of the complaints sent to them for response. The median amount of monetary relief reported for military consumers was approximately \$125 for the 204 bank account or service complaints where companies reported relief. Consumers have disputed approximately 220 company responses (22 percent) to bank account or service complaints.

2.6 Private student loan complaints

The CFPB has handled approximately 400 private student loan complaints from military consumers. The most common type of student loan complaint relates to repaying the loan, such as fees, billing, deferment, forbearance, fraud, and credit reporting (60 percent). Consumers struggle with the limited payment deferment options permitted in their loan agreements, especially when they have not found employment by the time they must begin repaying their loans, and because deferments often are limited to six months. Another common type of complaint addresses problems consumers confront when they are unable to pay, such as issues related to default, debt collection, and bankruptcy (31 percent).

Military consumers have reported problems obtaining correct and consistent information on the military benefits available to them on their student loans. Consumers report that their servicers remained confused about the military criteria required for different statutory protections. For example, consumers report that their student loan servicers are uninformed about requirements under the SCRA, and consumers report they are repeatedly asked to submit documentation not required by law. One such consumer, an active duty Army officer, reported that she was repeatedly asked to provide military orders containing an end-date in order to maintain her protections under SCRA. As an officer, her orders were indefinite and did not contain an end-date, so the company refused to accept them. After submitting a complaint to the CFPB, the consumer was able to have her SCRA protections reinstated.

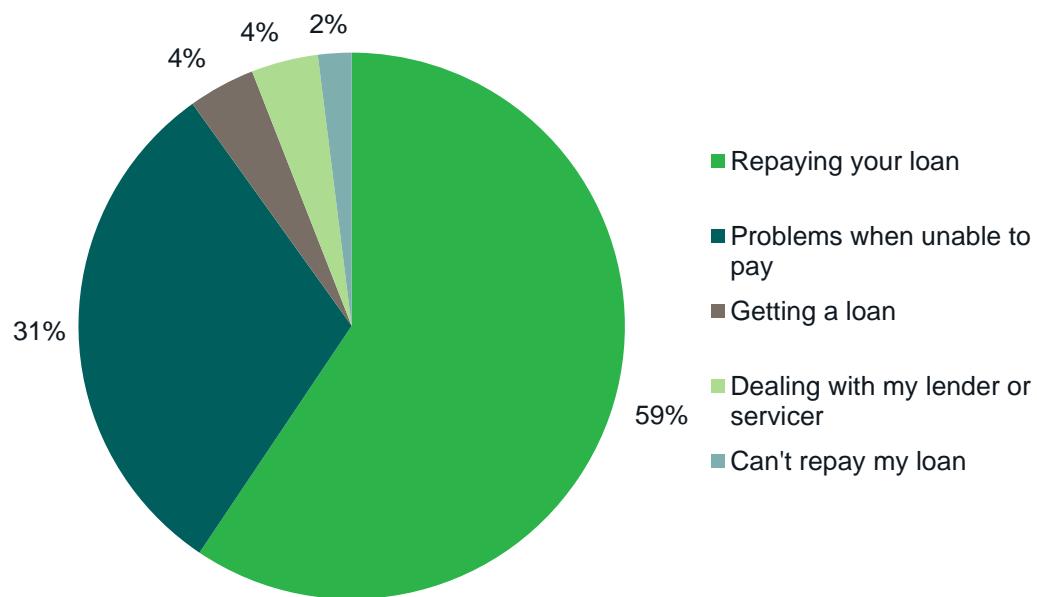
*A few months ago, I received a letter from [my student loan servicer] stating they needed verification of my beginning and ending dates of active service...I sent them a letter stating that because I was a commissioned officer I did not have an end date...At the end of last month I received a letter stating that was not good enough, and that I needed to provide new orders or a letter from my commanding officer
Army O-3, Washington*

Other consumers reported issues relating to payment processing; including problems with how their servicer processed payments made in excess of their monthly amount. Consumers expressed frustration concerning their efforts to communicate to their lender how to process the overpayment in the manner they preferred. Consumers also reported difficulties both in

contacting staff at their student loan servicer to assist with their requests, as well as in using the company's online payment system.

Finally, consumers report aggressive debt collection practices utilized by their loan servicers. Many consumers voiced frustration about the tactics utilized by their servicers, including placing multiple calls a day, threatening litigation and threatening to contact the consumer's military commander.

FIGURE 6: TYPES OF STUDENT LOAN COMPLAINTS REPORTED BY MILITARY CONSUMERS

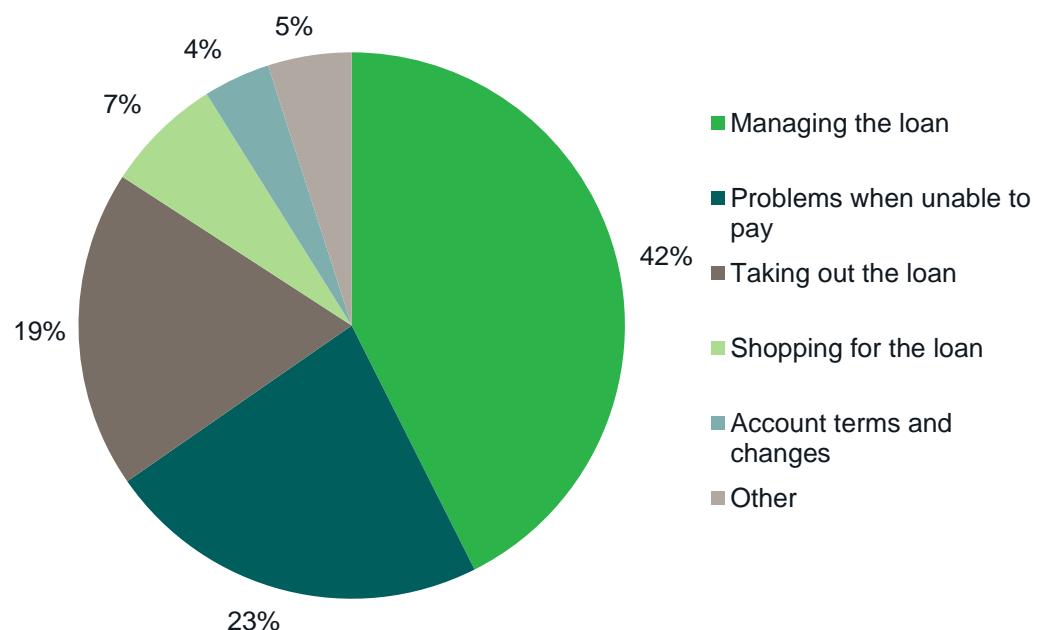


Approximately 300 (74 percent) private student loan complaints have been sent by the CFPB to companies for review and response. The remaining private student loan complaints have been referred to other regulatory agencies (22 percent), or found to be incomplete (4 percent). Companies have already responded to approximately 260 complaints or 91 percent of the complaints sent to them for response. The median amount of monetary relief reported for military consumers was \$2,038 for the approximately 22 private student loan complaints. Consumers have disputed approximately 40 company responses (16 percent) to private student loan complaints.

2.7 Vehicle or other consumer loan complaints

The CFPB has handled approximately 600 vehicle or other consumer loan complaints from military consumers. The most common type of vehicle or other consumer loan complaint relates to managing the loan, lease, or line of credit (43 percent). Another common type of complaint addresses problems consumers have when they are unable to pay, including issues related to debt collection, bankruptcy, and default (23 percent).

FIGURE 7: TYPES OF VEHICLE OR OTHER CONSUMER LOAN COMPLAINTS REPORTED BY MILITARY CONSUMERS



Approximately 300 (61 percent) vehicle or other consumer loan complaints have been sent by the CFPB to companies for review and response. The remaining vehicle or other consumer loan complaints have been referred to other regulatory agencies (34 percent), found to be incomplete (3 percent), or are pending with the consumer or the CFPB (2 percent). Companies have already responded to approximately 300 complaints or 91 percent of the complaints sent to them for response. The median amount of monetary relief reported for military consumers was \$129 for the approximately 22 vehicle or other consumer loan complaints. Consumers have disputed

approximately 80 company responses (26 percent) to vehicle or other consumer loan complaints.

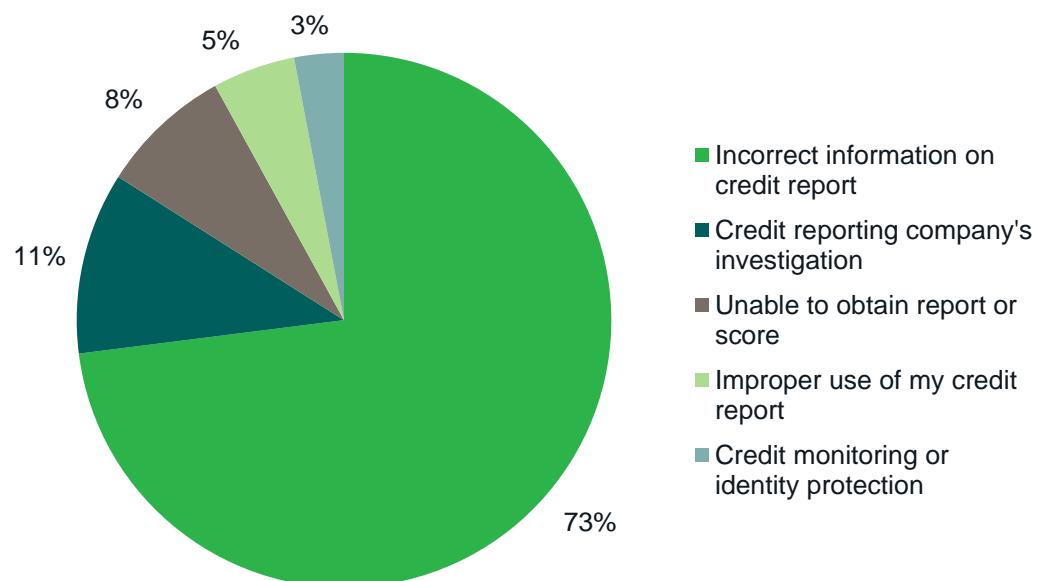
2.8 Credit reporting complaints

The CFPB has handled approximately 1,200 credit reporting complaints from military consumers. The most common type of credit reporting complaint is about incorrect information appearing on the consumer's credit report, such as information that is not the consumer's, incorrect account status and incorrect personal information (72 percent). Another common type of complaint addresses issues with credit reporting companies' investigation of information disputed by consumers (11 percent).

Military consumers reported that their attempts to correct their credit reports are often spurred by the potential impact detrimental credit reporting may have on their military careers. One consumer who complained to the CFPB explained that he had been trying to correct information on his credit report about a state tax lien that was not his and had been unsuccessful disputing the information on his own. He was afraid the errors would affect his military career. After he submitted a complaint, the incorrect information was removed.

*I am active duty military... I disputed [a tax lien] with all three credit companies, talked to them about this error...I feel like no one is listening to me...Please help me.
Navy E-6, Virginia*

FIGURE 8: TYPES OF CREDIT REPORTING COMPLAINTS REPORTED BY MILITARY CONSUMERS

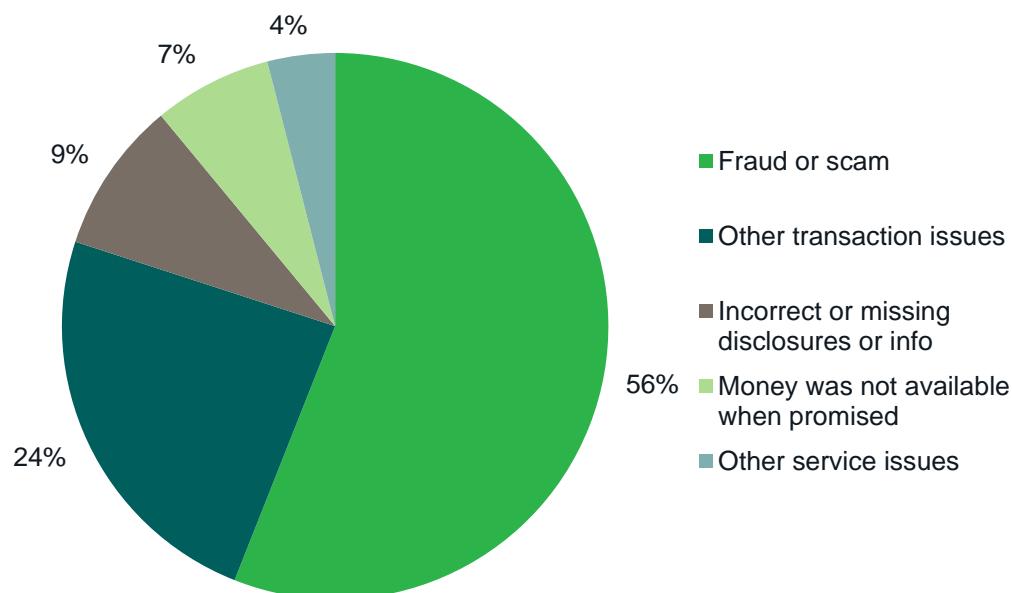


Approximately 1,000 (80 percent) credit reporting complaints have been sent by the CFPB to companies for review and response. The remaining credit reporting complaints have been referred to other regulatory agencies (5 percent), found to be incomplete (9 percent), or are pending with the consumer or the CFPB (6 percent). Companies have already responded to approximately 900 complaints or 91 percent of the complaints sent to them for response. Consumers have disputed approximately 200 company responses (20 percent) to credit reporting complaints.

2.9 Money transfer complaints

The CFPB has handled approximately 50 money transfer complaints from military consumers. The most common type of money transfer complaint is about frauds or scams (56 percent). Another common type of complaint addresses issues with other transactions, such as issues with unauthorized transactions, cancellations, or refunds (24 percent).

FIGURE 9: TYPES OF MONEY TRANSFER COMPLAINTS REPORTED BY MILITARY CONSUMERS



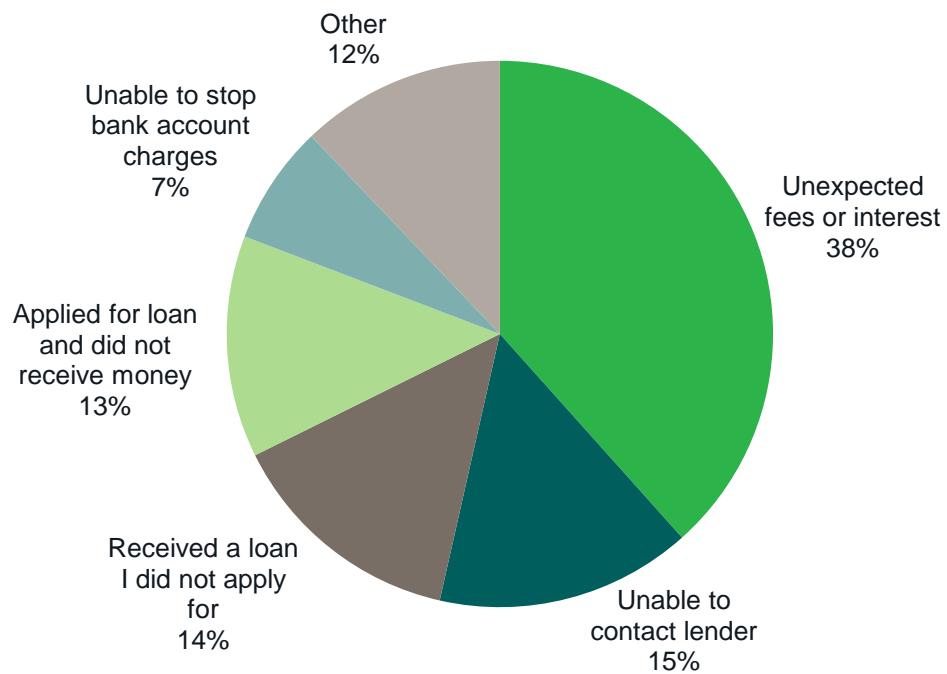
Approximately 20 (51 percent) of money transfer complaints have been sent by the CFPB to companies for review and response. The remaining money transfer complaints have been referred to other regulatory agencies (27 percent), found to be incomplete (13 percent), or are pending with the consumer or the CFPB (9 percent). Companies have already responded to approximately 20 complaints or 78 percent of the complaints sent to them for response. Consumers have disputed approximately 2 company responses (11 percent) to money transfer complaints.

2.10 Payday loan complaints

The CFPB has handled approximately 100 payday loans complaints from military consumers. The most common type of payday loan complaint is about unexpected fees or interest (38 percent). Another common type of complaint involves consumers' inability to contact lenders (15 percent).

Complaints from military consumers indicate that some of them are taking out loan products which fall outside the current parameters of “consumer credit” as defined in the Military Lending Act regulations.

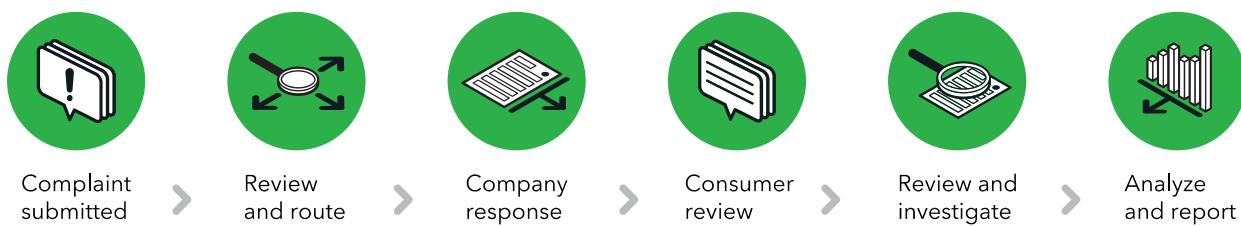
FIGURE 10: TYPES OF PAYDAY LOAN COMPLAINTS REPORTED BY MILITARY CONSUMERS



Approximately 30 (28 percent) of payday loan complaints have been sent by the CFPB to companies for review and response. The remaining payday loan complaints have been referred to other regulatory agencies (32 percent), found to be incomplete (4 percent), or are pending with the consumer or the CFPB (36 percent). Companies have already responded to approximately 20 complaints or 65 percent of the complaints sent to them for response. Consumers have disputed approximately 3 company responses (15 percent) to payday loan complaints.

3. How the CFPB handles complaints

Consumer Response screens all complaints submitted by consumers based on several criteria. These criteria include whether the complaint falls within the CFPB's primary enforcement authority, whether the complaint is complete, and whether it is a duplicate of a prior submission by the same consumer. Screened complaints are forwarded via a secure web portal to the appropriate company. The company reviews the information, communicates with the consumer as needed, and determines what action to take in response. The company reports back to the consumer and the CFPB via the secure "company portal." The Bureau then invites the consumer to review the response and provide feedback. Consumer Response reviews the feedback consumers provide about company responses, using this information along with other information, such as the timeliness of the company's response, to help prioritize complaints for investigation. Consumers who have submitted complaints to the Bureau can log onto the secure "consumer portal" available on the CFPB's website or call a toll-free number to receive status updates, provide additional information, and review responses provided to the consumer by the company.



Throughout this process, subject-matter experts help monitor certain complaints. For example, the Office of Servicemember Affairs coordinates on complaints submitted by servicemembers or their spouses and dependents.

Consumer Response continually strives to improve data quality and protect sensitive information, while increasingly making data about the complaints the CFPB receives available through reports to Congress and the public and by sharing certain data with the public through the Consumer Complaint Database.

Listening and responding to consumers is an integral part of the CFPB's work to understand issues in the financial marketplace. As the CFPB processes complaints, it also continues to identify new ways to improve its processes to make them as efficient, effective, and easy-to-use as possible. The Bureau uses consumer complaints to inform its work in making prices and risks clearer, protecting consumers of financial products and services, and encouraging financial markets to operate fairly and competitively.

CFPB COMPLAINT CONTACT INFORMATION:

ONLINE

consumerfinance.gov/complaint

TELEPHONE

Toll Free Number: (855) 411-CFPB (2372)

Español: (855) 411-CFPB (2372)

TTY/TDD: (855) 729-CFPB (2372)

Fax Number: (855) 237-2392

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