

Joint Statement of Principles on Consumer Financial Protection

**By The Department of Defense and
The Consumer Financial Protection Bureau**

The Department of Defense (“the Department”) and The Consumer Financial Protection Bureau (“the Bureau”) hereby adopt this Joint Statement of Principles on Consumer Financial Protection, as agreed between them.

This Joint Statement seeks to enhance collaboration and cooperation between the Department and the Bureau in an effort to reduce consumer risk for servicemembers and their families in the marketplace for consumer financial products, with a particular focus on small-dollar loan products.

Background:

In its 2006 *Report on Predatory Lending Practices Directed at Members of the Armed Forces and their Dependents*, the Department found that servicemembers and their families were prime targets for payday lenders and providers of other high-cost short-term loans. The report concluded that “predatory lending undermines military readiness, harms the morale of troops and their families, and adds to the cost of fielding an all-volunteer fighting force.”

In response, Congress passed 10 USC § 987 on September 30, 2006. Among other things, the act limits the annual percentage rate (APR) a lender can charge servicemembers and their dependents for certain loans to 36 percent. This law took effect one year after passage.

The Office of Servicemember Affairs was created within the Bureau to focus on consumer financial issues specific to military personnel and their families. Through this Office, the Bureau seeks to understand the financial needs of and risks posed to military families and to collaborate with military institutions, including the Department, to effectively serve this constituency.

Principles of Cooperation:

These principles have been developed to advance the following goals shared by both parties:

- (1) protecting servicemembers and their families from unlawful conduct by providers of consumer financial products or services;
- (2) enabling the Department to provide input to the Bureau to assist in reducing consumer financial risk for servicemembers and their families and improving the consumer financial marketplace;
- (3) enabling the Bureau to provide input to the Department to assist in reducing consumer risk for servicemembers and military families and improving the consumer financial marketplace;
- (4) working together to address, as efficiently and effectively as possible, concerns raised by servicemembers and their families about consumer financial products or services;
- (5) working together, and with other parties as appropriate, to provide consumer protection and reduce consumer risk in the small-dollar lending market for military families; and
- (6) supporting financial literacy training for servicemembers and their families.

Therefore, the Department and the Bureau will seek to work together, where appropriate to:

- Monitor trends in the products and services marketed and delivered to servicemembers and their families, including identification of those lenders that may pose a significant risk to military customers;
- Coordinate efforts regarding consumer protection measures, including 10 USC § 987 and 32 CFR Part 232, relating to consumer financial products and services offered to, or used by, servicemembers and their families.

- Identify other small-dollar loan products that function similarly to payday, vehicle title and tax refund anticipation loans that may pose risks to military consumers;
- Monitor those lenders that specialize in small-dollar loan alternatives and other innovative products, and collaborate to ensure that servicemembers and their families know of alternative credit options that might be less risky and less costly;
- Create a working group between the Bureau and the Department with the goal of sharing expertise and information related to the consumer financial marketplace for military families, with an emphasis on small-dollar lending; and,
- Identify ways to increase the effectiveness of the 10 USC § 987 and 32 CFR Part 232 through new legislation or rulemaking.

Conclusion:

Therefore, the parties adopt this Joint Statement of Principles for the purposes stated above.

For the Department of Defense:

For the Consumer Financial Protection Bureau:

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