



## T H E M I L I T A R Y C O A L I T I O N

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February 5, 2007

Department of Defense  
Federal Docket Management System Office  
1160 Defense Pentagon  
Washington, DC 20301-1160

Reference: **DOD-2006-0S-0216; FR Doc. 06-9518**

Dear Mr. George Schaefer:

The Military Coalition (TMC) a consortium of 35 nationally prominent uniformed services, veteran, and family organizations representing more than 5.5 million current and former members of the seven services, fully supports the Talent/Nelson provision in the National Defense Authorization Act (NDAA) FY 2007 that protects active duty service members and their families from the abusive credit practices described by the Department of Defense in its report to Congress last year.

TMC wants to congratulate the Department of Defense on its report to Congress on the negative impact of predatory lending on service members and their families. This report provided the needed momentum for Congressional action to protect active duty personnel from these financial predators.

TMC is aware that some trade groups representing various financial institutions have criticized the provision and have indicated that they were unaware that it was amended onto the NDAA. We disagree – in fact, last year after the report was released, the Senate Banking Committee held a public hearing on the Pentagon study which recommended the enactment of this provision.

In some instances lenders claim exemption from state regulation since loans are not made to “residents” of the state. The House Appropriations Subcommittee on Military Quality of Life and Veterans Affairs heard testimony last year on predatory lenders outside the gates of military bases. These lenders target young service members in need of short-term

cash and unaware of the potentially ruinous terms of loans, which may carry interest rates of up to 2,000 percent.

The Coalition has for many years advocated that unregulated predatory lenders represent a serious danger to national security and has been a major concern in the Services' senior enlisted communities. Service members experiencing debt related stresses may be less focused on the mission and compromise not only his or her safety, but also that of the entire unit.

Former Master Chief Petty Officer of the Navy, Terry Scott, worked closely with several organizations within TMC to promote predatory lending reform. Last year, Scott told ABC News, "If I go back six years ago, we had a little over 100 sailors lose their security clearance because of financial problems. That number is about 2,000 for FY 2005."

TMC urges the Department of Defense to issue regulations that deliver on the promises of the new law:

- 1) A 36 percent rate cap that includes all costs of borrowing;
- 2) A ban on soliciting unfunded checks as security for a loan;
- 3) Protections against unfettered access to bank accounts or military pay;
- 4) Civil justice protections; and
- 5) Application of these provisions to all lenders and lending institutions.

We wholeheartedly support the Talent/Nelson provisions outlined in law and look forward to the incorporation of the provisions in regulations by October, 2007.

Sincerely,

The Military Coalition  
(Signature Enclosed)

cc: SECDEF  
USD (P&R)  
CJCS  
JCS

Air Force Association  
Air Force Sergeants Association  
Air Force Women Officers Associated  
American Logistics Association  
Army Aviation Association of America  
Association of Military Surgeons of the United States  
Association of the United States Army  
Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard  
Commissioned Officers Association of the U.S. Public Health Service, Inc.  
Enlisted Association of the National Guard of the United States  
Fleet Reserve Association  
Gold Star Wives of America, Inc.  
Jewish War Veterans of the United States of America  
Marine Corps League  
Marine Corps Reserve Association  
Military Chaplains Association of the United States of America  
Military Officers Association of America  
Military Order of the Purple Heart  
National Association for Uniformed Services  
National Guard Association of the United States  
National Military Family Association  
National Order of Battlefield Commissions  
Naval Enlisted Reserve Association  
Naval Reserve Association  
Navy League of the United States  
Non Commissioned Officers Association  
Reserve Officers Association  
Society of Medical Consultants to the Armed Forces  
The Retired Enlisted Association  
United States Army Warrant Officers Association  
United States Coast Guard Chief Petty Officers Association  
Veterans of Foreign Wars of the United States  
Veterans' Widows International Network