Congress of the United States
Washington, DC 20515

August 1, 2013

The Honorable Charles Timothy Hagel
Secretary of Defense
U.S. Department of Defense
1000 Defense Pentagon
Washington, DC 20301-3010

Re: Limitations on Terms of Consumer Credit Extended to Service Members and Dependents (Docket ID: DoD-2013-OS-0133)

Dear Mr. Secretary:

The undersigned members of Congress are writing to express our concern about the current definition of consumer credit, and the opportunity the Department of Defense has to ensure that Service Members are protected from predatory payday loans, vehicle title loans, and refund anticipation loans in their proposed Rulemaking addressing "Limitations on Terms of Consumer Credit Extended to Service Members and Dependents."

All too often, our Service Members have been targeted by high-cost credit providers. The resulting inappropriate loans and exorbitant interest payments force many members of the military and their families to forgo other necessities, such as housing or grocery bills, and in many cases, to take out additional loans. This exacerbation of their financial condition negatively affects their morale and puts their ability to do their job – which is defending our great nation – at risk.

As you know, Congress passed the Military Lending Act in 2007 to directly address some of these concerns. Amongst other important protections, the Act limits the interest rate lenders are permitted to charge active duty Service Members and their dependents to 36 percent annually and prohibits securing loans with a post-dated check or electronic access to a bank account. However, as currently implemented, these protections apply to three narrowly defined types of products: closed-end payday loans of $2,000 or less and repayable in 91 days or less; closed-end vehicle title loans repayable in 181 days or less; and close-end tax refund anticipation loans. Eleven states do not have laws that extend additional protections for all forms of payday lending, and thirteen states do not extend protections to all forms of vehicle title lending. Over half of all active duty Service Members are stationed in these states.

We strongly urge the Department of Defense to take advantage of the current opportunity you all have to expand this narrow definition of consumer credit. A broader definition that applies to the following would be key to protecting our Service Members in the spirit the Military Lending Act intended.

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- Payday loans for amounts larger than $2,000 or with a loan term longer than 91 days,
- Vehicle title loans with terms longer than 181 day
- Loans structured as open-end credit

Please modify the definition of consumer credit to ensure that Service Members in all states are protected from all forms of high-cost credit, regardless of the duration or structure of the loan. An inclusive definition of consumer credit will ensure that all Service Members are covered by the consumer protections envisioned by Congress in 2007, and preserve our force's readiness and military strength.

Thank you for your time and consideration of this important matter. We look forward to receiving your response.

Sincerely,

Tammy Duckworth
Member of Congress

Loretta Sanchez
Member of Congress

Rush Holt
Member of Congress

Ann Kirkpatrick
Member of Congress

Joseph P. Kennedy III
Member of Congress

Allyson Y. Schwartz
Member of Congress

Kyrsten Sinema
Member of Congress

Matthew Cartwright
Member of Congress

Tim Walz
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Ron Kind
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Juan Vargas
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Mike Michaud
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Marcy Kaptur
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Al Green
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Richard Neal
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Hank Johnson
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Jan Schakowsky
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Adam Schiff
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Denny Heck
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Ann McLane Kuster
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Jim Langevin
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Jackie Speier
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Colleen Hanabusa
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Raúl Grijalva
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Maxine Waters
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Beto O'Rourke
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