

A snapshot of complaints received from Servicemembers, Veterans, and their families



Consumer Financial
Protection Bureau

April 2015

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 [third complaint report](#)¹ 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. In 2014, we received more than 17,000 complaints from servicemembers, veterans, and their family members, and I am particularly pleased to report that this population has recovered more than \$1.6 million by submitting complaints to the CFPB.

Since the Bureau began accepting consumer complaints, the CFPB has regularly received reports from servicemembers and their families who are dealing with troublesome credit card and bank account fees. Servicemembers tend to be at a disadvantage in this area because these fees may be assessed when the account holder is unable to use the account due to a deployment or a mandatory move. And the problem can be made even worse if a family member the servicemember has designated to act as their agent is not permitted to gain access to the account and take appropriate action while the account holder is away. This year, we will highlight this

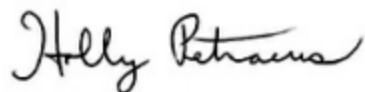
¹ http://files.consumerfinance.gov/f/201403_cfpb_snapshot-report_complaints-received-servicemembers.pdf

concern in a special section entitled “Spotlight on a financial concern associated with military life: The difficulty of managing accounts.”

The CFPB was involved in dozens of enforcement actions in 2014, three of which particularly impacted servicemembers. These enforcement actions, detailed in Section 1.3, provided millions of dollars in relief to servicemembers and their families. Enforcement actions can also spotlight systemic vulnerabilities that enable predatory lenders to target and take advantage of military members and veterans. An example would be the CFPB’s 2013 [enforcement action](#)² against a sub-prime auto lending program. As a result of that action, an interagency team was formed to take a closer look at the military pay-by-allotment system. The findings of this team led the U.S. Department of Defense to [announce critical changes to protect servicemembers](#) using the military discretionary allotment system, effective January 2015.

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 an honor for me and my staff 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 cursive script that reads "Holly Petraeus".

Holly Petraeus

² <http://www.consumerfinance.gov/newsroom/cfpb-orders-auto-lenders-to-refund-approximately-6-5-million-to-servicemembers/>

Table of contents

Message from Holly Petraeus	2
Table of contents.....	4
1. Fulfilling OSA’s mission	5
1.1 Monitoring complaints	5
1.2 Outreach	26
1.3 Enforcement actions.....	29
2. Spotlight on a financial concern associated with military life: The difficulty of managing accounts.....	31
Appendix A:	37
More about the CFPB	37

1. Fulfilling OSA's mission

1.1 Monitoring complaints

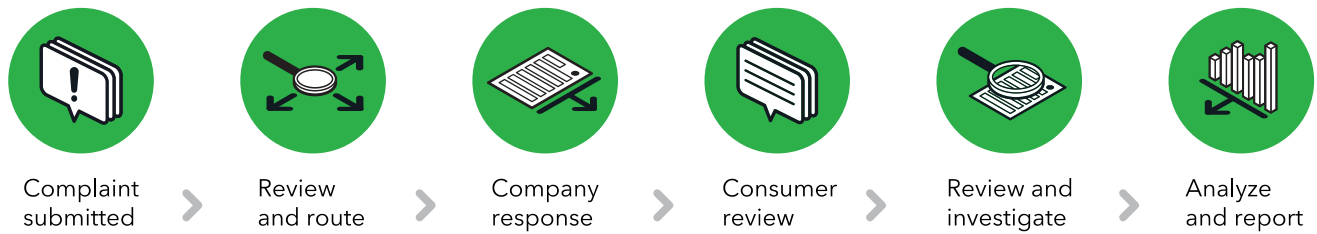
In keeping with the CFPB's statutory responsibility and its commitment to accountability, the following pages provide an overview of the handling and analysis of complaints submitted by servicemembers, veterans, and their families to the Bureau from July 21, 2011 through December 31, 2014.

The CFPB's Office of Consumer Response screens all complaints submitted by consumers based on several criteria, including whether the complaint should be sent to another regulator, whether the complaint is complete, and whether the complaint is duplicative of a prior submission by the same consumer. Screened complaints are forwarded via a secure web portal to the appropriate company.³ The company's role is to review the information, communicate with the consumer as needed, and determine what action to take in response. The company then reports back to the consumer and the CFPB via the secure company portal, and the Bureau 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, for example, to help prioritize complaints for investigation.⁴ Consumers who have submitted complaints to the Bureau through Consumer Response can log onto the secure consumer portal available on the

³ Consumer Response may refer a complaint to the appropriate regulator if, among other reasons, it does not involve a product or market that is within the Bureau's jurisdiction or that is currently being handled by the Bureau.

⁴ The CFPB requests that companies respond to complaints within 15 calendar days. If a complaint cannot be closed within 15 calendar days, a company may indicate that its work on the complaint is "In progress" and provide a final response within 60 calendar days.

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 with Consumer Response on complaints submitted by those who self-identify as servicemembers, veterans or their dependents.

The Bureau 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.

1.1.1 Complaints handled by the CFPB

Between July 21, 2011 and December 31, 2014, the CFPB handled approximately 518,400 consumer complaints.⁵ Approximately 59% of all consumer complaints were submitted through the CFPB’s website and 9% via telephone calls. Referrals accounted for 22% of all complaints received, with the remainder submitted by mail, email, and fax.⁶

⁵ Unless otherwise noted or the context suggests otherwise, the various tables and complaint tabulations appearing herein cover this period.

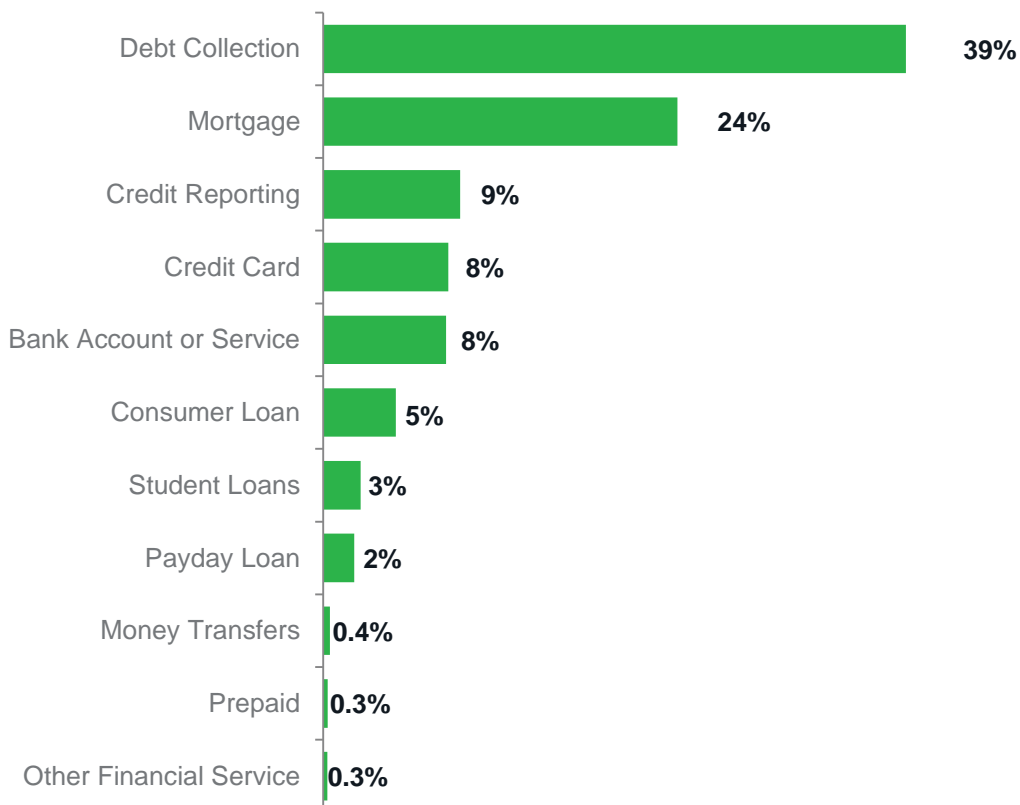
⁶ This analysis excludes multiple complaints submitted by a given consumer on the same issue and whistleblower tips. All data are current as of December 31, 2014.

1.1.2 Servicemembers' complaints handled by the CFPB

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) created the Office of Servicemember Affairs (OSA) to see that military personnel and their families receive a strong financial education so they can make better-informed consumer decisions; to monitor their complaints about consumer financial products or services; and to coordinate the efforts of Federal and State agencies to improve consumer protection measures relating to those products or services for military families. While Dodd-Frank defined servicemembers as Active-Duty, Reserve, or National Guard, OSA works for military retirees, veterans, and their families as well (collectively “servicemembers”), serving all who have worn the uniform.

Between July 21, 2011 and December 31, 2014, approximately 29,500 complaints were submitted by servicemembers.

FIGURE 1: SERVICEMEMBERS' COMPLAINTS BY PRODUCT



The tables and figures presented below show complaints by type, actions taken, company responses, and servicemembers' feedback about company responses.⁷

Debt collection complaints

Table 1 shows the types of debt collection complaints for the approximately 11,600 debt collection complaints the CFPB has received from servicemembers.

TABLE 1: TYPES OF DEBT COLLECTION COMPLAINTS REPORTED BY SERVICEMEMBERS

Types of Debt Collection Complaints	%
Continued attempts to collect debt not owed (Debt was discharged in bankruptcy, debt resulted from identity theft, debt was paid, debt is not mine)	41%
Communication tactics (Frequent or repeated calls, called outside of 8am-9pm, used obscene, profane or other abusive language, threatened to take legal action, called after sent written cease of communication notice)	19%
Taking/threatening an illegal action (Threatened to arrest me or take me to jail if I do not pay, threatened to sue me on debt that is too old to be sued on, sued me without properly notifying me of lawsuit, sued me where I did not live or did not sign for the debt, attempted to/collected exempt funds, seized or attempted to seize property)	12%
Disclosures/verification of debt (Did not receive notice of right to dispute, not enough information to verify debt, did not disclose communication was an attempt to collect a debt)	12%
False statements or representation (Attempted to collect wrong amount, impersonated attorney, law enforcement or government official, indicated committing crime by not paying debt, indicated should not respond to lawsuit)	10%

⁷ Percentages may not sum to 100% due to rounding.

Improper contact or sharing of information (Contacted me after I asked not to be, contacted my employer, contacted me instead of my attorney, talked to a third party about my debt)	6%
Total debt collection complaints	100%

As the table illustrates, the most common type of debt collection complaint is about continued attempts to collect a debt that is not owed. In many of these cases, the attempt to collect the debt is not itself the problem; rather, servicemembers assert that the calculation of the underlying debt is inaccurate or unfair. Complaints about communication tactics, particularly telephone collections, are another common type of consumer complaint. Servicemembers complain about telephone collections that are too frequent and that come at inconvenient times of the day. They also complain about debt collectors calling their place of employment or third parties. This is of particular interest to the CFPB since we have received reports that some debt collectors are threatening servicemembers by claiming that they will report unpaid debts to their commanding officer, have the servicemember demoted in rank, or even have their security clearance revoked if they don't pay up. Read our [blog post](#)⁸ on this topic to learn more.

Many servicemembers who have submitted debt collection complaints report troubles with the collection of unpaid amounts on their military-affiliated credit cards. Specifically, servicemembers have reported garnishment of their wages and tax refunds years after the original debt was incurred. Many also note that the total garnishment is significantly more than the original unpaid balance. Often, these military consumers have trouble understanding the total amount they owe and when the garnishment will end.

Mortgage complaints

Table 2 shows the types of mortgage complaints for the approximately 7,100 mortgage complaints the CFPB has received from servicemembers.

⁸ <http://www.consumerfinance.gov/blog/are-unpaid-debts-a-military-career-killer/>

TABLE 2: TYPES OF MORTGAGE COMPLAINTS REPORTED BY SERVICEMEMBERS

Types of Mortgage Complaints	%
Problems when you are unable to pay (Loan modification, collection, foreclosure)	53%
Making payments (Loan servicing, payments, escrow accounts)	28%
Applying for the loan (Application, originator, mortgage broker)	11%
Signing the agreement (Settlement process and costs)	5%
Receiving a credit offer (Credit decision/Underwriting)	3%
Total mortgage complaints	100%

The most common type of mortgage complaint involves problems servicemembers face when they are unable to make payments, such as issues relating to loan modifications, collections, or foreclosures. Servicemembers with successfully completed loan modifications have complained that some servicers do not amend derogatory credit reporting accrued by servicemembers during trial periods – even when documents provided to the consumers by servicers indicated that they would do so. Some servicemembers seeking short sales have reported that second-lien holders refuse to accept or subordinate in a short sale, whereas some servicemembers who do obtain a short sale have concerns with the loan account being incorrectly reported as a foreclosure.

Specifically, servicemembers experience troubles with loss mitigation when receiving PCS orders. We [highlighted this issue in 2012](#)⁹ yet still receive reports of troubles with some frequency. There are, however, [new rules](#)¹⁰ that address some of the worst problems in the mortgage servicing industry and bring new rights and protections to borrowers, including servicemembers.

⁹ http://files.consumerfinance.gov/f/201206_cfpb_PCS_Orders_Guidance.pdf

¹⁰ <http://www.consumerfinance.gov/blog/servicemembers-you-have-new-mortgage-protections-in-2014/>

Credit reporting complaints

Table 3 shows the types of credit reporting complaints for the approximately 2,700 credit reporting complaints the CFPB has received from servicemembers.

TABLE 3: TYPES OF CREDIT REPORTING COMPLAINTS REPORTED BY SERVICEMEMBERS

Types of Credit Reporting Complaints	%
Incorrect information on credit report (Information is not mine, Account terms, Account status, Personal information, Public record, Reinserted previously deleted information)	72%
Credit reporting company's investigation (Investigation took too long, Did not get proper notice of investigation status or results, Did not receive adequate help over the phone, Problem with statement of dispute)	11%
Unable to get my credit report or credit score (Problem getting free annual report, Problem getting report or credit score)	7%
Credit monitoring or identity protection services (Problem cancelling or closing account, Billing dispute, Receiving unwanted marketing or advertising, Account or product terms and changes, Problem with fraud alerts)	5%
Improper use of my credit report (Report improperly shared by credit reporting company, Received marketing offers after opting out, Report provided to employer without written authorization)	5%
Total credit reporting complaints	100%

This table illustrates that the most common type of credit reporting complaint is about incorrect information appearing on the consumer's credit report, such as information that does not belong to the consumer, incorrect account status, and incorrect personal information.

Many servicemembers who submit credit reporting complaints highlight the ongoing fear that any negative information on their credit report may cause their security clearance to be pulled when it's up for review. Military consumers have an added fear that any missed payments or

inaccurate reporting could potentially affect their military career. [Read more¹¹](#) on this topic on the CFPB blog.

Credit card complaints

Table 4 shows the most common types of credit card complaints that the CFPB has received. About 70% of the approximately 2,500 credit card complaints received from servicemembers fell into these 10 categories.

TABLE 4: MOST COMMON CREDIT CARD COMPLAINTS REPORTED BY SERVICEMEMBERS

Complaint	%
Billing disputes	15%
Other	10%
Identity theft/Fraud/Embezzlement	10%
APR or interest rate	8%
Closing/Cancelling account	7%
Credit reporting	4%
Credit card protection / Debt protection	4%
Late fee	4%
Advertising and marketing	4%
Customer service / Customer relations	4%
Credit card complaints in top 10 types	70%

¹¹ <http://www.consumerfinance.gov/blog/are-unpaid-debts-a-military-career-killer/>

As the table illustrates, billing disputes are the most common type of credit card complaint. Servicemembers and their families have reported frustration with fee assessments during deployments or mandatory moves. For more information about this issue, refer to section 2 of this report, entitled “Spotlight on a financial concern associated with military life: The difficulty of managing accounts.”

Bank account and service complaints

Table 5 shows types of bank account and service complaints, such as complaints about checking and savings accounts, for the approximately 2,400 bank account and service complaints received by the CFPB from servicemembers.

TABLE 5: TYPES OF BANK ACCOUNT AND SERVICE COMPLAINTS REPORTED BY SERVICEMEMBERS

Types of Bank Account and Service Complaints	%
Account opening, closing, or management (Confusing marketing, denial, disclosure, fees, closure, interest, statements, joint accounts)	46%
Deposits and withdrawals (Availability of deposits, withdrawal problems and penalties, unauthorized transactions, check cashing, payroll deposit problems, lost or missing funds, transaction holds)	28%
Making or receiving payments, sending money to others (Problems with payments by check, card, phone or online, unauthorized or fraudulent transactions, money/wire transfers)	10%
Problems caused by my funds being low (Overdraft fees, late fees, bounced checks, credit reporting)	10%
Using a debit or ATM card (Disputed transaction, unauthorized card use, ATM or debit card fees, ATM problems)	5%
Total bank account and service complaints	100%

As the table illustrates, the most common type of bank account and service complaint relates to opening, closing, or managing the account. These complaints address issues such as account maintenance fees, legal processing fees for judgments and levies, changes in account terms, confusing marketing, early withdrawal penalties for certificates of deposit, and involuntary account closures. Other common complaints relate to deposit and withdrawal issues, such as

transaction holds, the company's right to offset deposit accounts, and unauthorized debit card charges. In this area, many consumers are frustrated by companies' handling of error disputes and requests to stop payment on preauthorized electronic debits.

Along the topic of deposit and withdrawal issues, military families have detailed many difficulties accessing their servicemember's accounts even when they had a valid Power of Attorney (POA). They encountered obstacles communicating with their banks, and were unable to decipher what was necessary to lawfully gain access to accounts that were being assessed fees or penalties while their servicemember was deployed. For more information, refer to section 2 of this report.

Consumer loan complaints

Table 6 shows the types of consumer loan complaints, such as complaints about installment loans, vehicle loans and leases, personal lines of credit, and pawn and title loans for the approximately 1,400 consumer loan complaints received by the CFPB from servicemembers.¹²

TABLE 6: TYPES OF CONSUMER LOAN COMPLAINTS REPORTED BY SERVICEMEMBERS

Types of Consumer Loan Complaints	%
Managing the loan, lease, or line of credit (Billing, late fees, damage or loss, insurance (GAP, credit, etc.), credit reporting, privacy)	43%
Taking out the loan or lease / Account terms and changes (Term changes (mid-deal changes, changes after closing, rates, fees, etc.), required add-on products, trade-in payoff, fraud)	23%
Problems when you are unable to pay (Debt collection, repossession, set-off from bank account, deficiency, bankruptcy, default)	21%
Shopping for a loan, lease, or line of credit (Sales tactics or pressure, credit denial, confusing advertising or marketing)	11%

¹² The Bureau began handling complaints about pawn and title loans as part of the consumer loan complaint category on July 2014.

Other (Charged fees or interest I did not expect, identity theft/fraud/embezzlement, billing disputes, credit reporting, other)	3%
Total consumer loan complaints	100%

The table illustrates that the most common type of consumer loan complaint pertains to managing the loan, lease, or line of credit. Other common types of complaints address problems consumers have when taking out the loan or lease, such as term changes, and problems when they are unable to pay, including issues related to debt collection, bankruptcy, and default.

Military consumers have reported concerns with high interest rates on their auto loans, often citing rates as high as 29.00%. These high interest rates contribute to payment defaults when a servicemember gets into financial trouble and ultimately the risk of

repossession and abusive debt collection practices. One such consumer, a soldier on active duty, explained to us that not only was his car repossessed, the company went so far as to contact multiple superiors in his chain of command about his missed payments. Read a personal story about [protecting servicemembers from predatory auto loans](#)¹³.

“My car was repossessed in 2012. I had a big financial issue which caused me to miss two non-consecutive payments. Since then the car loan company [redacted] calls me at work. I’m in the military and for some odd reason they find phone numbers and emails of my Chain of command. They email and call anybody that is in the command...I want the calls and emails to stop to my work place. The car was sold two weeks after it was repossessed and I was never given the opportunity to recover the vehicle.”
- Army E5-E7, Texas

Student loan complaints

Table 7 shows the types of student loan complaints for the approximately 700 student loan complaints received by the CFPB from servicemembers.¹⁴

¹³ <http://www.consumerfinance.gov/blog/protecting-servicemembers-from-predatory-auto-loans-harry-and-arist-story/>

¹⁴ Prior to December 18, 2013, consumers submitting student loan complaints could select from three types of complaint categories: *Getting a loan*, *Repaying your loan*, and *Problems when you are unable to pay*. Beginning

TABLE 7: TYPES OF STUDENT LOAN COMPLAINTS REPORTED BY SERVICEMEMBERS

Types of Student Loan Complaints	%
Dealing with my lender or servicer (Making payments, getting information about my loan, managing my account)	49%
Can't repay my loan (Deferment, forbearance, default, bankruptcy, payment plan, refinancing)	47%
Getting a loan (Confusing terms, rates, denial, confusing advertising or marketing, sales tactics or pressure, financial aid services, recruiting)	4%
Total student loan complaints	100%

on December 18, 2013, the student loan complaint form was updated to make it easier for consumers submitting a complaint to categorize the problems they are having with their student loan. Consumers now select from the following three types of complaint categories: *Getting a loan*, *Can't pay my loan*, and *Dealing with my lender or servicer*. This report includes the types of complaints submitted under both the original and updated forms. The *Repaying your loan* category is under *Dealing with my lender or servicer*, and *Problems when you are unable to pay* is under *Can't repay my loan*.

The most common type of student loan complaint from servicemembers relates to dealing with a lender or servicer and includes issues such as making payments, getting information about a loan, and how the account is managed. Servicemembers raised concerns about a range of servicing problems, including payment processing problems, challenges obtaining necessary documentation about their private student loans, difficulty obtaining accurate information about their loan status and repayment options, and obstacles to accessing basic account information. Another common type of complaint addresses problems consumers confront when they are unable to pay, such as issues related to default, student debt collection, and bankruptcy. Some servicemembers report that they continue to struggle with 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, either to lower monthly payments during periods of financial hardship, or to improve existing terms based upon the consumer's improved credit profile and creditworthiness.

“I am Active Duty military.... As of two months ago the interest rate on two of my loans (was) increased to 7.25%. I have contacted the company trying to get them to apply the mandate of the Servicemember Civil Relief Act. My last communication with them was three days ago during which I was told I'd be receiving a document via email. As of this complaint I have yet to receive it. I fear this delay tactic will continue past the time I have stateside and then I'll no longer be around to fight it. I am on orders to deploy to Afghanistan this month. I need help. I can't continue to fight this when my attention should be on matters that will literally involve life or death decisions.”
- Army O1-O3, New York

Servicemembers continue to report frustration in obtaining the rights afforded to them under the Servicemembers Civil Relief Act. We heard from one servicemember who had struggled to retain his SCRA rights from his servicer. He was getting ready to deploy and was very concerned that his servicer continued to deny his interest-rate benefits. As with the other financial products detailed in this report, the servicemember expressed fear of distraction while deployed if the issues were not resolved prior to departure.

Payday loan complaints

Table 8 shows the types of payday loan complaints for the approximately 600 payday loan complaints the CFPB has received from servicemembers.

TABLE 8: TYPES OF PAYDAY LOAN COMPLAINTS REPORTED BY SERVICEMEMBERS, BY TYPE OF LOAN

Type of Payday Complaint	In person / at a store	Online	Not Stated	Total
Charged fees or interest I did not expect	33%	39%	21%	34%
Cannot contact lender	22%	16%	21%	18%
Applied for a loan, but didn't receive money	12%	16%	20%	16%
Received a loan I did not apply for	3%	11%	24%	12%
Payment to account not credited	12%	9%	7%	10%
Can't stop lender from charging my bank account	13%	6%	4%	7%
Lender charged my bank account on wrong day or for wrong amount	5%	3%	3%	3%
Total	100%	100%	100%	100%

Of the 600 payday loan complaints submitted by servicemembers, approximately 420 (68%) were about problems they experienced after obtaining a payday loan online. Approximately 80 (12%) reported problems when obtaining a payday loan in person / at a store. For the remaining approximately 120 (20%) complaints, the consumer did not indicate how the loan was obtained.

The cost and structure of a particular loan can make it difficult for servicemembers to repay. Some servicemembers voiced concerns about being unable to repay a loan and not having enough money left over for other expenses, the high cost of the loan, and aggressive debt collection practices in the event of delinquency or default.

Many servicemembers also submit debt collection complaints to the Bureau that are related to payday loans. In addition to servicemembers' payday complaints the CFPB has also handled approximately 1000 debt collection complaints related to a payday loan or loans. These payday-related debt collection complaints account for nearly 9% of all debt collection complaints handled by the CFPB.

Money transfer, prepaid card, and other financial services complaints

Table 9 shows the types of money transfer, prepaid card, and other financial services complaints for the approximately 80 other financial services complaints the CFPB has received from servicemembers.¹⁵

TABLE 9: TYPES OF MONEY TRANSFER, PREPAID CARD, AND OTHER FINANCIAL SERVICES COMPLAINTS REPORTED BY SERVICEMEMBERS

Types of Other Financial Services Complaints	%
Fraud or scam	45%
Customer service or customer relations	21%
Disclosures	10%
Excessive fees	8%
Advertising and marketing	6%
Unexpected or other fees	4%
Lost or stolen check	4%
Other	3%
Total other financial services complaints	100%

Of the 80 other financial services complaints submitted by servicemembers, approximately 45% dealt with misleading advertising or scams. Approximately 21% of complaints covered insufficient customer service, while approximately 12% of complaints dealt with excessive or

¹⁵ CFPB began accepting complaints about check cashing, credit repair, debt settlement, foreign currency exchange, money orders, refund anticipation checks, travelers' and cashiers' checks and prepaid cards on July 19, 2014.

unexpected fees while using other financial services. The remaining complaints for other financial services involved other issues such as dealing with misleading advertising or marketing, improper disclosures, and lost or stolen checks.

How companies respond to servicemembers' complaints

Approximately 18,900 (or 64%) of all servicemember complaints received between July 21, 2011 and December 31, 2014 were sent by Consumer Response to companies for review and response.¹⁶ Table 10 shows how companies responded to these complaints during this time period.

Company responses include descriptions of steps taken or that will be taken, communications received from the consumer, any follow-up actions or planned follow-up actions, and a categorization of the response. Response category options include “Closed with monetary relief,” “Closed with non-monetary relief,” “Closed with explanation,” “Closed,” “In progress,” and other administrative options. “Monetary relief” is defined as objective, measurable, and verifiable monetary relief to the consumer as a direct result of the steps taken or that will be taken in response to the complaint. “Closed with non-monetary relief” indicates that the steps taken by the company in response to the complaint did not result in monetary relief to the consumer that is objective, measurable, and verifiable, but may have addressed some or all of the consumer’s complaint involving non-monetary requests. “Non-monetary relief” is defined as objective and verifiable relief other than monetary relief to the consumer as a direct result of the steps taken or that will be taken in response to the complaint. “Closed with explanation” indicates that the steps taken by the company in response to the complaint included an explanation that was tailored to the individual consumer’s complaint. For example, this category would be used if the explanation substantively meets the consumer’s desired resolution or explains why no further action will be taken. “Closed” indicates that the company closed the complaint without relief – monetary or non-monetary – or explanation. Consumers are given the option to review and dispute all company closure responses.

¹⁶ The remaining complaints have been referred to other regulatory agencies (27%), found to be incomplete (7%), or were pending with the consumer or the CFPB (0.5% and 1%, respectively) as of December 31, 2014.

Companies have responded to approximately 95% of servicemembers' complaints¹⁷ sent to them and report having closed 92% of servicemembers' complaints. Table 10 shows how companies have responded to servicemembers complaints and Table 11 shows untimely company responses as a percentage of complaints sent to companies for response as of December 31, 2014.

TABLE 10: HOW COMPANIES HAVE RESPONDED TO SERVICEMEMBER COMPLAINTS¹⁸

	Closed with monetary relief	Closed with non-monetary relief	Closed with explanation	Closed (without relief or explanation)	Administrative response	Company reviewing	Company did not provide a timely response
Debt collection	2%	17%	66%	4%	1%	2%	8%
Mortgage	3%	7%	80%	2%	4%	2%	3%
Credit reporting	1%	32%	64%	0%	1%	2%	1%
Bank account or service	19%	6%	66%	3%	3%	1%	1%
Credit card	32%	8%	53%	1%	2%	1%	3%
Consumer loan	7%	9%	74%	2%	2%	3%	4%
Student loans	8%	12%	68%	0%	2%	3%	6%
Money transfers	4%	0%	94%	0%	1%	1%	0%
Payday loan	26%	0%	63%	0%	0%	3%	9%

¹⁷ Companies have responded to approximately 17,900 of the 18,900 servicemembers' complaints sent to them for response.

¹⁸ While companies' responses under previous categorizations were maintained for operational and reporting purposes, responses categorized as "full resolution provided," "partial resolution provided," and "closed with relief" are considered a subset of "closed with monetary relief," and responses categorized as "no resolution provided" and "closed without relief" are categorized as "closed with explanation." "Closed with non-monetary relief" and "closed" reflect only those responses provided by companies after June 1, 2012." 91% of complaints from servicemembers were received after this recategorization.

Other financial services	14%	14%	50%	0%	5%	9%	9%
Prepaid	26%	0%	63%	0%	0%	3%	9%
All	7%	12%	70%	2%	3%	2%	4%

TABLE 11: UNTIMELY COMPANY RESPONSES AS A PERCENTAGE OF COMPLAINTS SENT TO COMPANY

	Closed with monetary relief	Closed with non-monetary relief	Closed with explanation	Closed (without relief or explanation)	Administrative response	Company reviewing	No response
Debt collection	1%	10%	71%	6%	3%	0%	10%
Mortgage	3%	6%	70%	1%	8%	0%	11%
Credit reporting	0%	5%	84%	0%	0%	0%	11%
Bank account or service	15%	0%	69%	0%	15%	0%	0%
Credit card	15%	11%	59%	1%	2%	2%	10%
Consumer loan	8%	6%	69%	3%	6%	0%	8%
Student loans	0%	3%	83%	10%	3%	0%	0%
Payday loan	7%	0%	61%	0%	11%	0%	21%
Other financial services	0%	0%	67%	0%	0%	0%	33%
Prepaid	25%	0%	50%	0%	0%	0%	25%
All	3%	8%	70%	4%	5%	<1%	10%

After Consumer Response forwards a complaint to a company, the company has 15 days to respond and 60 days to provide a final response, where applicable. Company responses provided outside of these windows are deemed untimely. As shown in Table 11, these servicemembers eventually received responses in 90% of cases where companies did not respond to the complaint in a timely manner. Where companies eventually responded to the consumer, most often they provided a response of “Closed with explanation”. However, approximately 10% of the total servicemember complaints with untimely company responses never received a response.

Companies have the option to report an amount of monetary relief, where applicable. As of December 31, 2014, companies provided relief amounts in response to more than 1,400 complaints. For companies which have reported monetary relief, the median amount of relief reported was \$200; however, the amount varies by product. For the approximately 440 credit card complaints where companies provided a relief amount, the median amount of relief reported was approximately \$143. For the more than 330 bank account and service complaints where companies provided a relief amount, the median amount of relief reported was approximately \$132. For the approximately 180 mortgage complaints where companies provided a relief amount, the median amount of relief reported was approximately \$470. For the approximately 100 debt collection complaints where companies provided a relief amount, the median amount of relief reported was approximately \$401. For the approximately 60 consumer loan complaints where companies provided a relief amount, the median amount of relief reported was approximately \$200. Companies rarely report providing monetary relief in response to consumers’ debt collection and credit reporting complaints.

Companies also have the option to provide non-monetary relief in response to complaints. Servicemembers have received a range of non-monetary relief in response to their complaints, such as:

- providing mortgage foreclosure alternatives that did not include direct monetary payments to the consumer, but that helped them to keep their home;
- stopping harassment from debt collectors;
- cleaning up consumers’ credit reports by correcting submissions to credit bureaus or restoring or removing a credit line;
- correcting account information; and

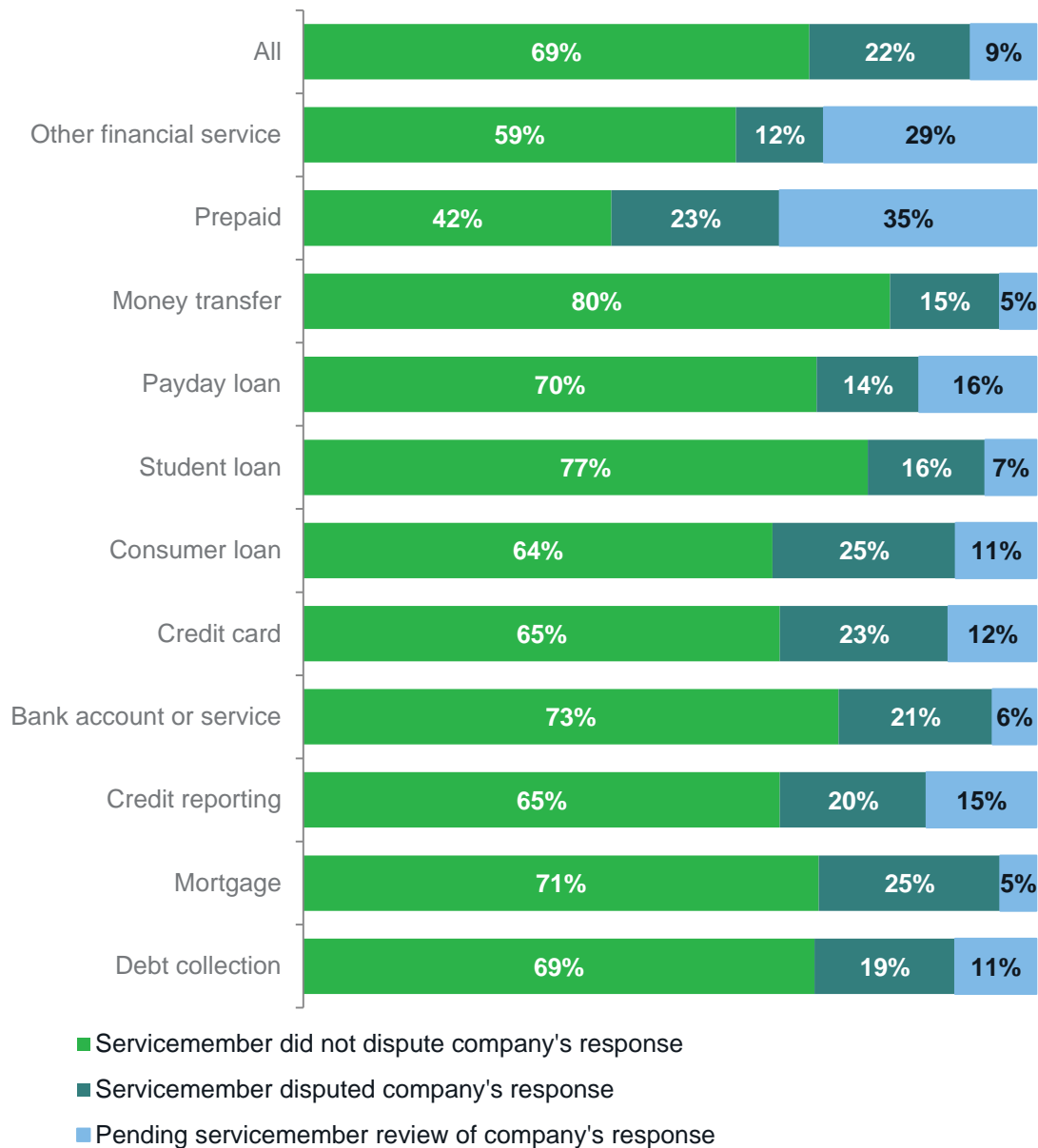
- addressing formerly unmet customer service issues.

Servicemembers' reviews of companies' responses

Once the company responds, the CFPB provides the company's response to the servicemember for review. Where the company responds "Closed with monetary relief," "Closed with non-monetary relief," "Closed with explanation," or "Closed," consumers are given the option to provide feedback on the company's response. Figure 3 shows how servicemembers responded to the approximately 17,300 complaints where they were given the option to provide feedback, as of December 31, 2014.

Servicemembers are asked to notify the CFPB within 30 days if they want to provide feedback by disputing a company's response. Approximately 69% of such consumers did not dispute the responses provided, while approximately 22% of servicemembers did dispute the response provided. The rest were pending with consumers as of December 31, 2014.

FIGURE 2: SERVICEMEMBER FEEDBACK ABOUT COMPANY RESPONSES



Consumer response investigation and analysis

After requesting that companies respond to complaints sent to them for response, and giving consumers the opportunity to review and provide feedback on company responses, Consumer Response prioritizes complaints for investigation based on a review of the complaint, the company’s response, and the consumer’s feedback. Consumer Response seeks to determine why a company failed to provide a timely response (if applicable) and whether the consumer’s

feedback about the company’s response (if applicable) justifies additional review of the company’s minimum required actions under the consumer financial protection laws within the CFPB’s authority. In the course of an investigation, Consumer Response may ask companies and consumers for additional information. In some cases, Consumer Response has referred complaints to colleagues in the CFPB’s Division of Supervision, Enforcement, and Fair Lending for further consideration. The Office of Servicemembers Affairs works closely with Consumer Response, and monitors and analyzes many individual servicemember complaints.

Listening to consumers and reviewing and analyzing their complaints is an integral part of the CFPB’s work in understanding issues in the consumer financial marketplace, and in helping the market work better for consumers. The information shared by consumers and companies throughout the complaint process informs the Bureau about business practices that may pose risks to consumers and helps the Bureau supervise companies, enforce federal consumer financial laws, and write better rules and regulations.

1.2 Outreach

In addition to monitoring and analyzing complaints submitted to the Bureau by members of the military community, 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.

OSA conducted its outreach through a series of activities designed to reach servicemembers at the places where they live and work, and to encourage them to use CFPB resources, including the complaint system.

INSTALLATION VISITS

During 2014, OSA connected with approximately 7,000 servicemembers, veterans, military families, and other stakeholders through a number of live events across the United States and abroad.

Of that number, OSA interacted with more than 4,000 active-duty servicemembers and National Guard personnel by conducting leadership roundtables and town hall style “listening sessions” at 34 military installations. These sessions were hosted to give servicemembers and families a forum to relay their real-world financial challenges and to provide consumer information to help them make better-informed financial decisions. The 34 installations visited

were representative of all five service branches of the armed forces and included: regional commands; senior leadership development schools; wounded warrior care centers; military recruit induction stations; overseas installations and Unified Combatant Commands.



Holly Petraeus, Assistant Director of Servicemember Affairs, spends time with Coast Guard personnel during an outreach event at U.S. Coast Guard Base Miami, FL. (Photo by PAC Ryan Doss, 7th Coast Guard District)

EDUCATIONAL BRIEFINGS, OUTREACH EVENTS AND COMMUNITY COLLABORATIONS

Along with the installation visits, OSA conducted 20 outreach events across the United States to engage various stakeholder groups and deliver consumer resources directly to the military community. These stakeholder groups consisted of a diverse field of leaders, educators, practitioners and military consumer protection advocates in the armed services, academia, law, financial industry groups, federal and state governments, and others.

The outreach events also varied in scope and included efforts such as conducting military consumer legal protection briefings at Judge Advocate General schools for the Army, Air Force and Marine Corps; providing training at professional development seminars for financial

educators; exhibiting at financial education fairs; and having OSA leadership address influential industry groups about financially empowering servicemembers.

VETERANS OUTREACH EVENTS

OSA expanded its engagement campaign geared towards the nation's 22 million veterans by conducting 14 veteran outreach events that focused on forming resource-building collaborations with veteran-support organizations that promote consumer protection.

This bridge-building effort included providing "CFPB 101" and other issue-specific briefings to prominent veterans service organizations; engaging with public policy groups to identify baseline consumer issues for older veterans; establishing relationships with local veterans' courts, faith-based service providers, neighborhood partnerships and women's groups looking for resources to address financial risk factors for veterans; working with veterans authorities to create distribution pipelines for CFPB educational materials at the state and local levels; and engaging military retirees directly at installation retiree appreciation events.

DIGITAL ENGAGEMENT

OSA continued to deliver financial education, information and resources to consumers using its digital distribution and social media channels. In addition to its routine social media engagement, we also partnered with other federal agencies and some non-profit organizations to host several social-media town halls. These joint social media events provided an opportunity for military consumers and stakeholders to have their questions answered by OSA and its content partners in real-time.

The Office expanded its catalogue of online training courses for military financial educators by creating two new forums that spotlighted critical information and common misperceptions in "Veteran Consumer Issues" and "Credit Reporting and the Military". [The forums are available online¹⁹](#).

NATIONAL PARTNERSHIPS AND PROMOTIONS

We collaborated with other federal agencies and select non-governmental organizations to support nationwide savings, financial literacy and consumer protection campaigns geared to the

¹⁹ <http://www.consumerfinance.gov/servicemembers/on-demand-forums-and-tools/>

military community. OSA supported both Military Saves Week in February and Military Consumer Protection Day in July by conducting a series of activities that included giving financial readiness presentations to servicemembers at various military installations around the United States; conducting social media events, setting up and staffing information kiosks at events around the country; and creating multimedia promotional content for the campaigns.

1.3 Enforcement actions

The Bureau was a party in dozens of public enforcement actions in 2014. Three of these particularly impacted servicemembers and provided them with over \$94 million in refunds and other relief.

Consumer Financial Protection Bureau, et al., v. Freedom Stores, Inc., et al. (E.D. Va. No. 2:14-cv-00643-AWA-TEM) (stipulated final judgment and order entered January 8, 2015).

The CFPB and the Attorneys General of North Carolina and Virginia took action against Freedom Stores, Inc., Freedom Acceptance Corporation, and Military Credit Services LLC. The Bureau and the states filed a consent order in federal court to require the three companies and their owners and chief officers to provide over \$2.5 million in consumer redress and to pay a \$100,000 civil penalty. The CFPB's investigation found that the companies and their owners engaged in illegal debt-collection practices in violation of the Consumer Financial Protection Act of 2010. These illegal practices included filing thousands of lawsuits in Virginia against consumers who lived and entered their contracts far away from the place of suit, collecting more than – and sometimes double – what was owed in a single billing cycle, and disclosing debts to third parties, including military commanding officers.

In the Matter of: USA Discounters, Ltd. (File No. 2014-CFPB-0011) (consent order entered August 14, 2014).

The CFPB ordered USA Discounters to refund approximately \$350,000 to servicemembers for unfair and deceptive practices relating to installment loans for furniture, electronics, and other home goods. USA Discounters charged active-duty servicemembers a fee for a company called SCRA Specialists LLC, purportedly to assist servicemembers in availing themselves of their rights under the Servicemembers Civil Relief Act (SCRA). In fact, SCRA Specialists never actually performed most of the services offered to servicemembers. The consent order requires

USA Discounters to cease engaging in this unlawful conduct, to provide full restitution to all consumers who paid the SCRA Specialists fee since 2009, and to pay a \$50,000 civil money penalty.

In the Matter of: Colfax Capital Corp., et al. (File No. 2014-CFPB-0009) (consent order entered July 29, 2014).

The Bureau took action against Colfax Capital and Culver Capital, also collectively known as “Rome Finance,” and two of its owners for violating Regulation Z (Truth in Lending) by failing to accurately disclose credit information in financing for consumer goods sold online or near military bases, and the Consumer Financial Protection Act of 2010 by servicing and collecting on financing agreements that state laws rendered void or limited the consumer’s obligation to repay. Under the consent order, Rome Finance will cease efforts to collect on any of the outstanding finance agreements, and it paid \$1 in civil penalties (a larger penalty was not assessed because Colfax is bankrupt). Additionally, under the order, Rome and two of its principals are permanently banned from consumer lending.

2. Spotlight on a financial concern associated with military life: The difficulty of managing accounts

Fees associated with the use of financial products are commonplace. Credit cards might charge yearly membership fees, late fees, or penalty interest fees; bank accounts might charge fees for the use of the account, overdraft fees, minimum balance fees, and other types of fees. For many American consumers, these fees are disclosed, understood, and can be avoided by using the account/card in accordance with the terms and conditions provided by the company. For members of the military and their families, however, the story is not always so simple.

Throughout 2014, we received numerous complaints from servicemembers and their families telling their stories about fees. These complaints all underscored one central fact: due to an aspect of their military service, fees associated with their credit cards or bank accounts were difficult to avoid, causing unnecessary stress and additional financial hardship.

For example, one issue cited by servicemembers and their families in complaints was the occurrence of a monthly fee charged to their bank account for what these servicemembers generally categorized as “misuse.” “Misuse” is a broad term implying that the consumer has not kept the necessary minimum daily balance, has not set up a direct deposit required by the terms of the account, or simply did not perform any transactions for the monthly period.

Misuse frequently stems from a bank’s changes to the terms and conditions of an account, changes that may take place years after the account was originally opened. Due to the nature of military life, many servicemembers have trouble receiving notices informing them of these

changes - whether due to extended deployments, the operational tempo of a dangerous job, or frequent moves to new addresses. Of particular concern, servicemembers reported instances where accounts initially opened as Military No-Fee accounts were changed by the financial institution to a new product that required a minimum balance or automatic deposit in order to avoid new monthly charges. While these new requirements may have been disclosed in updated terms and conditions sent to the account holder, the challenges of military life limited the servicemember's ability to effectively receive notice and adjust or close their account accordingly to avoid the monthly charge.

We have also seen a dormancy/inactivity fee charged based on lack of use of the account, which can be particularly problematic for military families and their unique situation. One military spouse, for example, wrote to us about fees associated with an emergency account she opened while her spouse was in a war zone. The account she originally opened was a "free" account, and was even advertised as such. But after a year, her bank converted her account from a free one to one with fees. With the new account, the consumer was faced with a new \$12.00 monthly maintenance fee, as well as a \$7.50 inactivity fee. She explained that as a military spouse, she opened the "free" checking account in order to use it for emergencies and was unaware of these new fees, which were triggered if she did not use the account for twelve consecutive months. For this military consumer, the terms and conditions of her "free" checking account were changed a year after opening; the fees quickly eroded her checking account, and morphed it from a useful product to one that no longer provided her with the security she needed during her husband's deployments.

In the course of OSA's outreach efforts to the military community overseas, we routinely hear from servicemembers and their spouses that because they regularly make internet purchases while serving abroad, they will often add an additional checking account to protect against potential fraud. Unfortunately for these consumers, what may begin as a smart decision designed to protect their finances can become a financial albatross. Because of their international assignments, their ability to receive bank notices may be hampered, and often they are unaware of new account attributes, including maintenance fees, being applied to their accounts if the terms and conditions change. Many consumers report that over time, the multiple monthly charges deplete the accounts and some even mentioned additional overdraft fees being triggered.

POOR COMMUNICATION RELATING TO ACCOUNT ACCESS MAY EXACERBATE FEES FOR SERVICEMEMBERS

The story extends beyond the issue of fees associated with “misuse.” Many times, once the charges are noticed by servicemembers or their family representatives, they still encounter obstacles communicating with the company to get the issue resolved. Complaints raise concerns that financial institutions have yet to put into place proper procedures and protections for our military families, especially when a servicemember is deployed overseas.

For example, we received a complaint from one servicemember who attempted to deal with his fee problems while he was deployed overseas. The company’s communication systems made handling his problem impossible. While deployed, the servicemember did not have access to a telephone. His only methods of communication were through email and other online systems, which did not provide him with access to company representatives who had the authority to resolve his problems. When the servicemember used the credit card company’s live-chat feature in order to speak with a company representative, he reached an employee who admitted that he did not have sufficient access to the servicemember’s account information to adequately solve his problem. Moreover, the representative was unwilling or unable to elevate the servicemember’s complaint to management.

The servicemember expressed his concerns to us in his complaint:

“My inquiry remains unresolved and may soon unnecessarily cost me upwards of \$500 in fees. The company’s underlying policies that serve to block account holder communications with empowered employees poses the likelihood of injuring customers throughout the U.S.--especially harming service members deployed overseas.”

Deployment is not a time when members of the military should be concerned about their finances, especially when they have proactively attempted to communicate with their financial companies. If some financial trouble should arise while they are overseas, companies should have procedures in place that allow a servicemember to effectively and efficiently communicate with their representatives to resolve the issue and restore their peace of mind.

We also hear from many military spouses who are asked by their active-duty spouses to help with the family’s finances during deployment. Many of these families contact the bank prior to departure and give authorization for their spouse’s access to the account. Often, these financial institutions have multiple levels of authorization giving access to various account attributes, i.e. verbal access over the phone, online account viewing, bill pay features, etc. Many spouses report

to us that when problems arise with their servicemember's account, including fee applications, the authorization given does not suffice to help solve the problem. Many institutions will not work with the spouse without speaking to the servicemember, who has limited spare time or telephone access while deployed to conference-call the company to take care of the problem. Even though these couples proactively seek to anticipate and head off potential problems, their financial providers are not always able to efficiently adapt to their needs. These companies often fail to communicate to their consumers how to properly access their accounts, which led to undue stress and valuable time wasted.

Prior to departure for deployment or training, many servicemembers take legal steps to ensure their personal finances will be taken care of while they are away. It is common for servicemembers to seek and obtain Powers of Attorney (POA) through their military Legal Assistance Office so that family members or other trusted third parties can take care of affairs in their absence.²⁰ The Army Legal Assistance Regulation lists the preparation of POAs as one type of legal document Legal Assistance attorneys are authorized to prepare, and provides a cautionary note about the broad reach of General POAs.²¹ In spite of the military's emphasis on readiness, and the availability of POAs, these documents sometimes are not enough to cover the needs of servicemembers.

Many consumers still report that they experience trouble handling the financial affairs for a servicemember spouse or child even when they have a valid General POA.

"The financial institution is blocking my access to the joint account I own with my Army active duty wife, currently deployed to Kuwait...In short, they are blocking access to our money and I can't even pay our bills...They claim that, despite already having both a General Power of Attorney and a Special Power of Attorney filed on my behalf prior to my wife's deployment (Army SOP), these comprehensive documents are insufficient and they are demanding a THIRD document "authorizing" my access electronically."

²⁰ [Military OneSource, "Power of Attorney Basics"](#)

²¹ Army Regulation 27-3, para 3-7(e).

A mother, who was appointed to be her son's agent, wrote to us explaining her troubles communicating with his financial institution while he was away at training. The company was deducting double payments from her son's bank account which caused a negative balance and additional overdraft charges. She made multiple attempts to contact the company about the problem. She reported that the first representative acknowledged the authorization she had on file and stated the issue was being reviewed. When she called back to check on the status, she was told by a new representative that no authorization existed and they could not speak to her regarding the account.

She expressed her continued frustration even after the company agreed to fix the problem:

“The financial institution eventually refunded the money; however, the damage was already done to my son's credit and bank account. The negative impact their actions had are still being felt. Although [they] stated he was not financially responsible for this account, they continued to contact him regarding payments and he eventually had to get a personal loan and pay this account off - just to find some peace. Their actions and conduct are repugnant and certainly questionable with regard to ethical practices.”

In the complaints we've monitored, servicemembers have reported creating POAs to legally authorize their spouse or parent to control their finances. Companies may require a more targeted POA for added consumer protection; however, based on the complaint submissions, it appears this information is not being relayed to the military families at the appropriate time. And in some cases, it appears that even more specific POAs are not accepted. If a company knows they are dealing with a military consumer who is likely to need to provide for third-party access to an account, companies should clearly communicate the specific requirements to allow that access. Complaint submissions indicate that confusion about companies' POA requirements has led to an exacerbation in fees and overall financial stress for many servicemembers and their families.

Account security is naturally a high priority for providers of financial products and services, but there should be clear measures in place to safely allow account access to third parties authorized by the account holder. It would benefit military families if they got simple, clear, and concise guidance about specific authorization requirements prior to servicemembers' deployment, overseas service, or departure from their home station, as well as if financial

companies took steps to enable clear and effective communication with their military customers.

Suggested Practices:

- Prior to altering military-specific account conditions of use, companies should seek to obtain an updated mailing address from their military consumers.
 - Companies should provide clear instructions on how a person designated by a servicemember may gain access to an account, and what things that person can and cannot do with the account. If different levels of access exist, this should be clearly explained, along with instructions on how the servicemember account holder can authorize each level.
 - Companies should proactively notify military consumers about any POA company policies. This should include whether or not POAs are accepted, and, if so, which type is required based on the consumer's needs. If a company requires a specific format or language for a POA, that should be provided on its website. Legal Assistance offices within the military routinely prepare both General and Specific POAs, and can generally include whatever specific language a client needs within the Specific POAs. Companies should provide clear guidance to their military consumers about the language or format they require so that the servicemember can be sure to create a sufficient POA.
 - Companies should ensure they have feasible methods of communication for all their consumers. For military consumers, limiting communication to telephone or fax to resolve issues greatly impacts the ability of deployed servicemembers to conduct bank business, especially if that communication is only available during US business hours.

APPENDIX A:

More about the CFPB

GENERAL INFORMATION:

Email address: info@consumerfinance.gov

Phone number: (202) 435-7000

WEBSITE:

www.consumerfinance.gov

MAILING ADDRESS:

Consumer Financial Protection Bureau

ATTN: Employee name, Division, and/or Office Number

1700 G Street, NW

Washington, DC 20552

CONSUMER COMPLAINTS AND QUESTIONS:

Webpage: consumerfinance.gov/complaint

Toll free number: (855) 411-CFPB (2372)

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

Fax number: (855) 237-2392

Hours of operation: 8 a.m. - 8 p.m. EST, Monday-Friday, services in 180+ languages

Consumer Financial Protection Bureau

PO Box 4503

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WHISTLEBLOWERS:

Email: whistleblower@consumerfinance.gov

Toll free number: (855) 695-7974

PRESS & MEDIA REQUESTS:

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OFFICE OF LEGISLATIVE AFFAIRS:

Legislative Affairs: (202) 435-7960

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