

# Office of Servicemember Affairs

Annual Report for Fiscal Year 2019

# Message from Kathleen L. Kraninger



## Director

The Bureau has an important mandate to educate and protect our Nation's servicemembers, veterans, and their families given the unique challenges they face in their daily lives. Military consumers are sometimes required to move overseas with little notice or must work temporarily in another location away from their families. They might get deployed to a combat zone for an extended period in a place with unreliable communications systems. Those challenges carry over into their financial lives as keeping up with financial responsibilities from afar and susceptibility to fraud and identity theft are greater.

Congress established the Office of Servicemember Affairs (OSA) within the Bureau to educate and empower military consumers to make better informed financial decisions regarding financial products and services. The Bureau reviews every complaint submitted by military consumers—including veterans—to ensure that their concerns are responded to and hopefully resolved to their satisfaction. Finally, Bureau staff also work closely with our partner agencies at the Federal and state levels regarding consumer protection measures for servicemembers and their families.

This report highlights the education and engagement, complaint monitoring, cross-agency coordination, and research of the OSA and the Bureau in Fiscal Year 2019 (FY19). This work is aimed at increasing the financial well-being of military families and addressing some of the financial challenges that are particularly relevant to military consumers.

I am proud of the work that is highlighted in this report, as it reflects the Bureau's commitment to educate, empower, serve, and protect our Nation's servicemembers, veterans, and their families.

Sincerely,

A handwritten signature in blue ink that reads "Kathleen L. Kraninger".

Kathleen L. Kraninger

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# 1. Introduction

The Consumer Financial Protection Bureau’s (CFPB or Bureau) Office of Servicemember Affairs (OSA) was created by the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).<sup>1</sup> OSA was given the following statutory responsibilities:<sup>2</sup>

- Educate and empower servicemembers and their families to make better informed decisions regarding consumer financial products and services;
- Monitor complaints by servicemembers and their families and responses to those complaints by the Bureau or other appropriate Federal or State agency; and
- Coordinate efforts among Federal and State agencies, as appropriate, regarding consumer protection measures relating to consumer financial products and services offered to, or used by, servicemembers and their families.

The Dodd-Frank Act also requires the Board of Governors of the Federal Reserve System (the Fed) and the Federal Trade Commission (FTC) to coordinate with the OSA to ensure that servicemembers and their families are educated and empowered to make better informed decisions regarding consumer financial products and services offered by motor vehicle dealers, especially motor vehicle dealers that operate near military installations. This includes receiving and responding to complaints concerning motor vehicle dealers, and where appropriate, enforcement action is pursued by the responsible Federal agency.<sup>3</sup>

This report is a review of activities of the OSA in fulfilling its statutory responsibilities over the course of FY19, which covers the period from October 1, 2018 to September 30, 2019.

Section 2 delves into the tools, resources, and methods used by the Bureau to educate and empower military consumers. The Bureau’s flagship educational tool for military consumers is *Misadventures in Money Management (MiMM)*. Designed as a graphic novel with “choose-your-own-adventure” training that immerses users with real life financial choices, MiMM was conceived as an educational tool for younger military consumers. Bureau research shows that building financial skill and knowledge in youth leads to better financial well-being in later life.<sup>4</sup>

Section 3 examines in-depth the data for the OSA’s statutory function of monitoring complaints from military consumers. The Bureau’s complaint process provides insights into the problems that military consumers are experiencing with financial products and services.

Section 4 describes the OSA’s work to coordinate with other Federal and State government agencies regarding consumer protection measures. The Bureau collaborated with numerous government agencies to create and disseminate financial education materials and to streamline military consumers’ access to protections and benefits.

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<sup>1</sup> Pub. L. No. 111-203 (2010), 124 Stat. 1376.

<sup>2</sup> See 12 U.S.C. § 5493(e).

<sup>3</sup> See *id.* at § 5519(e).

<sup>4</sup> See CFPB, *Pathways to financial well-being: The role of financial capability* (Sep. 2018), available at [consumerfinance.gov/data-research/research-reports/pathways-financial-well-being](https://consumerfinance.gov/data-research/research-reports/pathways-financial-well-being) (visited January 31, 2020).

Section 5 highlights the Bureau's work in the area of auto lending education, in which the OSA collaborated with the FTC to produce an educational blog series about the various challenges military consumers might encounter when buying and financing a vehicle.

Finally, Section 6 summarizes the Bureau's research into areas specific to military consumers. The first part is a summary of a research brief issued by the Bureau's OSA that focused on the financial well-being of veterans. The second part is a summary of a report issued by the Bureau's Office of Research on the use of home loans guaranteed by the Department of Veterans' Affairs (VA).

## 2. Educating and empowering military consumers

The OSA works with other Bureau offices and external stakeholders to educate and empower military consumers to make better informed decisions regarding consumer financial products and services. The OSA accomplishes this work by deploying financial education tools like Misadventures in Money Management, outreach to the military community through town halls, training events, webinars, briefings to military leaders and stakeholders, and digital outreach to the military community through blog posts on the Bureau's website and posts to our social media accounts.



*CFPB Director Kathleen Kraninger speaking with soldiers before a town hall event*

The OSA also analyzes and reviews ongoing and emerging financial issues that affect military consumers to develop educational factsheets, pamphlets, and other documents to provide relevant and timely information. Some of the key financial topics that the OSA has highlighted over the past year in educational materials offered include the Servicemembers Civil Relief Act (SCRA), the Military Lending Act (MLA), financial well-being of veterans, VA mortgage lending, foreclosure protections, medical debt, and credit reporting/monitoring for military consumers.

## Misadventures in Money Management (MiMM)

MiMM, a flagship educational product for servicemembers, is designed as a graphic novel with “choose-your-own-adventure” training that immerses servicemembers with real life financial choices and the potential consequences of those choices. MiMM covers diverse topics such as how to select a financial institution, avoiding impulse purchases, how debt can affect a military career, and understanding special laws such as the SCRA and the MLA.



*A screenshot of the new MiMM.gov homepage*

MiMM uses storytelling about a group of friends who each have unique financial situations and challenges. Users (i.e. players) make decisions for each character and, if they are successful in completing all the character missions, they can obtain a certificate of completion. Certificates of completion can be sent directly to anyone in military leadership.

In FY19, the Bureau enhanced the MiMM experience by expanding the gamification to more fully immerse players into the stories. Another major change was removing any requirement to login to MiMM, as a result of expert feedback from the Bureau’s advisory boards and councils. Players who start but do not complete MiMM in one session can receive a reentry code that they can use to save their progress and return to finish MiMM later.

MiMM is available for use by all current and future servicemembers, but the financial education lessons therein are also applicable to veterans and the population at large. In May of 2019, the Bureau launched a new version of MiMM designed for active-duty servicemembers. Prior to FY19, MiMM had multiple websites for different types of servicemembers (e.g. active, guard, or reserve). In FY19 the Bureau consolidated MiMM to a new government website ([MiMM.gov](https://www.mimm.gov)) to make it easier to access for everyone in the military community.

The MiMM post-game assessments show that players demonstrate significant increases in their financial skill and knowledge upon completion of MiMM.

Overall, 74% of players who completed the MiMM game-based training scored higher on the post-assessment than they did on the pre-assessment.



*Servicemembers at a MiMM launch event show off the latest MiMM comic book*

## Other education and empowerment

In FY19 the OSA participated in events with military leaders, newly enlisted servicemembers, and other Bureau offices. The Bureau taught military attorneys how to spot consumer protection issues when they are providing legal assistance; presented on MiMM and financial well-being research to academic and non-government organizations; and met with military and veteran leaders across the spectrum of government, non-government, and other organizations.





*Servicemembers at a town-hall event during an interactive financial education class*

In-person outreach is a critical way for the Bureau to gather information from military consumers in the field. The Bureau also utilizes social media platforms where young military consumers are likely to be active.

The OSA sent e-mail updates to more than 25,000 subscribers, which was an increase of more than 9,700 subscribers from FY18. Meanwhile, the Bureau's online consumer education tool, *Ask CFPB*, received more than 156,000 page-views for military-related questions.<sup>5</sup> The OSA posted more than 650 social media announcements that garnered about 151,000 impressions on Facebook and 279,000 impressions on Twitter.

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<sup>5</sup> See [consumerfinance.gov/askcfpb](https://consumerfinance.gov/askcfpb) (visited January 31, 2020).



*An example of the CFPB's digital outreach collaboration with the Army*

The Bureau conducts digital education and engagement through a combination of blog posts, e-mail updates, and social media announcements, all with the help of key stakeholders who can amplify the messages. In FY19, the OSA published thirteen (13) blog posts that received approximately 45,000 page-views combined.

These blog posts are designed to provide in-depth, easy-to-read, useful information to military consumers about important considerations in personal finance products and services.<sup>6</sup>



The image is a screenshot of a tweet from the WA Attorney General (@AGOWA). The tweet text reads: "Servicemembers: Before you buy a car, consider these tips from the CFPB on finding affordable auto financing. Learn more about consumer protections for veterans and military members at [atg.wa.gov/consumer-prote ...](http://atg.wa.gov/consumer-prote)". Below the text is a retweeted post from CFPB Servicemembers (@CFPBMilitary) with the text: "Before you rush off to the nearest car dealer, let us arm you with some car financing tips that can protect your wallet. [go.usa.gov/xP6BG](http://go.usa.gov/xP6BG)". The retweeted post includes an image of a green car and a document. The tweet is dated 7:00 PM - 10 Dec 2018 and shows 4 retweets and 7 likes.

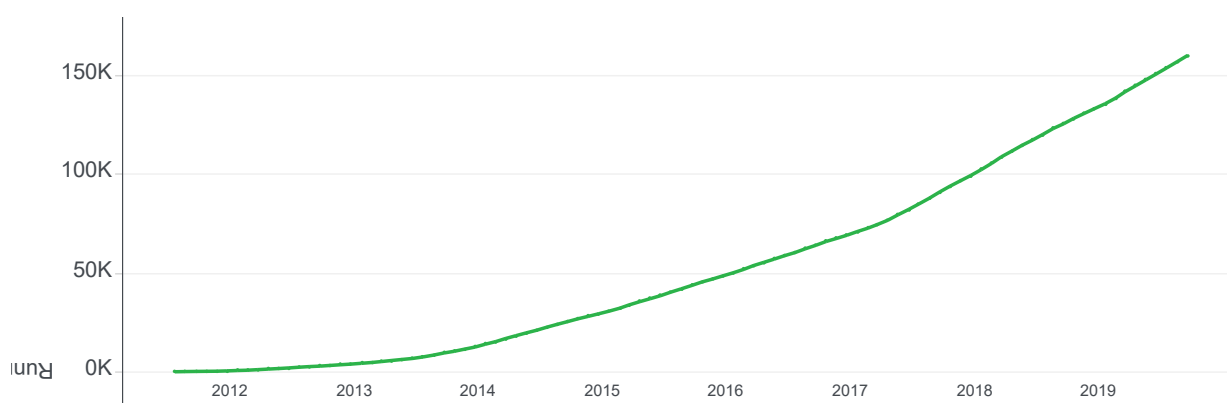
*A blog post by the OSA that was shared by a state government stakeholder*

<sup>6</sup> The CFPB's blog is available at [consumerfinance.gov/blog](http://consumerfinance.gov/blog) (visited January 31, 2020).

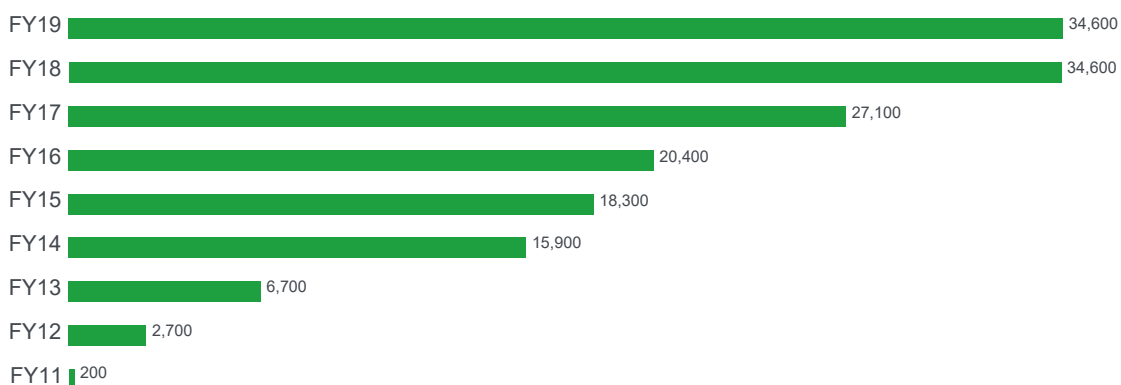
# 3. Military consumer complaints

In coordination with the Bureau’s Office of Consumer Response, the OSA monitors complaints by military consumers and the responses they receive from companies. The Bureau received approximately 34,600 complaints from military consumers in FY19. Figure 1 displays the cumulative number of complaints from military consumers that the Bureau has received since it began operations in July 2011, which stands at approximately 160,500.<sup>7</sup> Meanwhile, Figure 2 displays the complaints submitted to the Bureau from military consumers by fiscal year.

**FIGURE 1: CUMULATIVE COMPLAINTS SUBMITTED BY MILITARY CONSUMERS -- JULY 2011 TO SEPTEMBER 2019**



**FIGURE 2: COMPLAINTS SUBMITTED BY MILITARY CONSUMERS BY FISCAL YEAR-- JULY 2011 TO SEPTEMBER 2019**

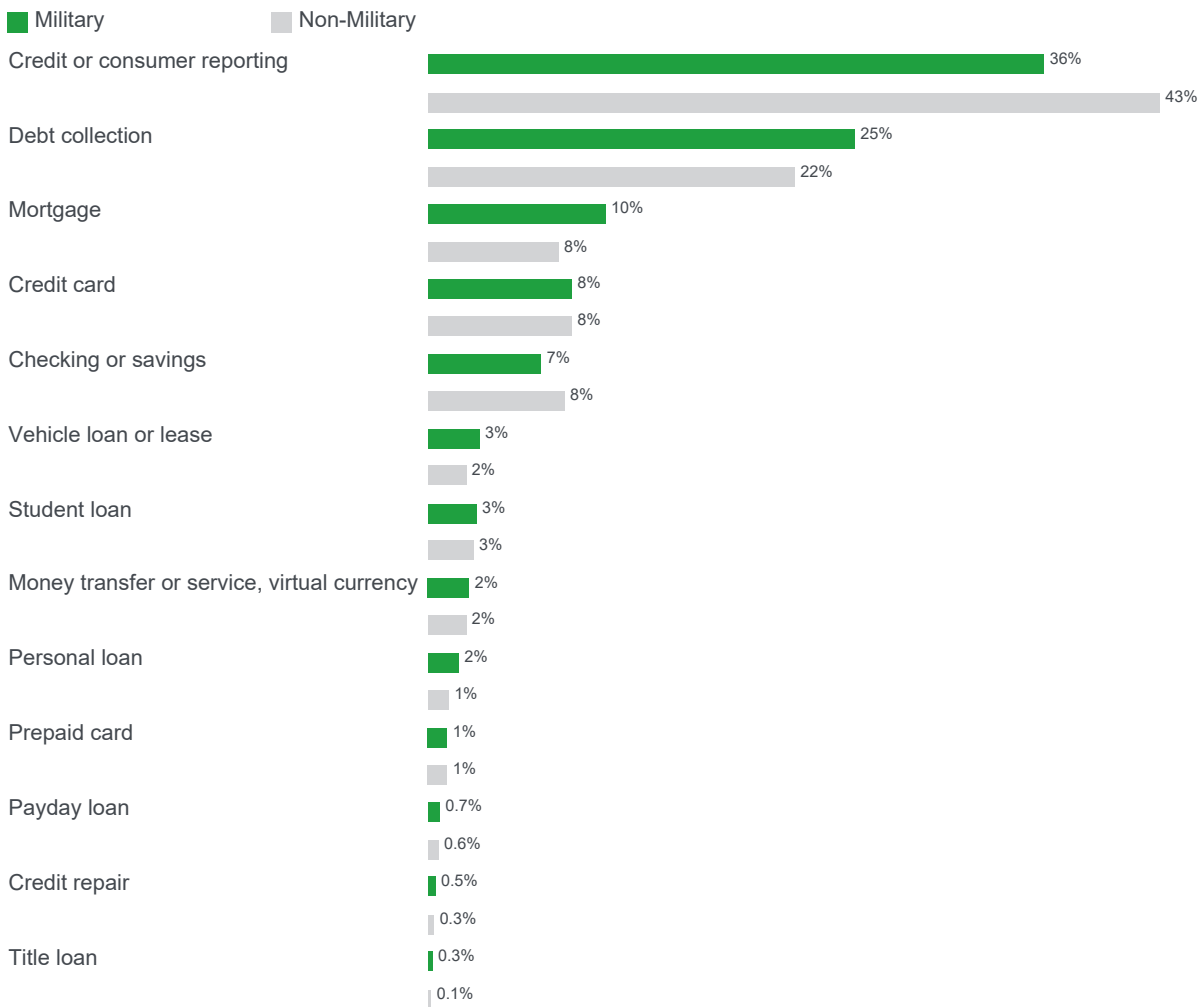


<sup>7</sup> The CFPB used a phased approach to accepting complaints from consumers. In 2011, for example, the CFPB accepted complaints about credit cards and mortgages. Additional complaint categories have been added over time. As of the end of FY2019, the CFPB accepts complaints about more than ten (10) categories of consumer financial products and services. This figure does not account for differences in products the CFPB handles.

## 3.1 Complaints at a glance

As shown in Figure 3, for both military consumers and non-military consumers, credit or consumer reporting, debt collection, mortgage, credit card, and checking or savings were the most complained about consumer financial product and service categories in FY19.

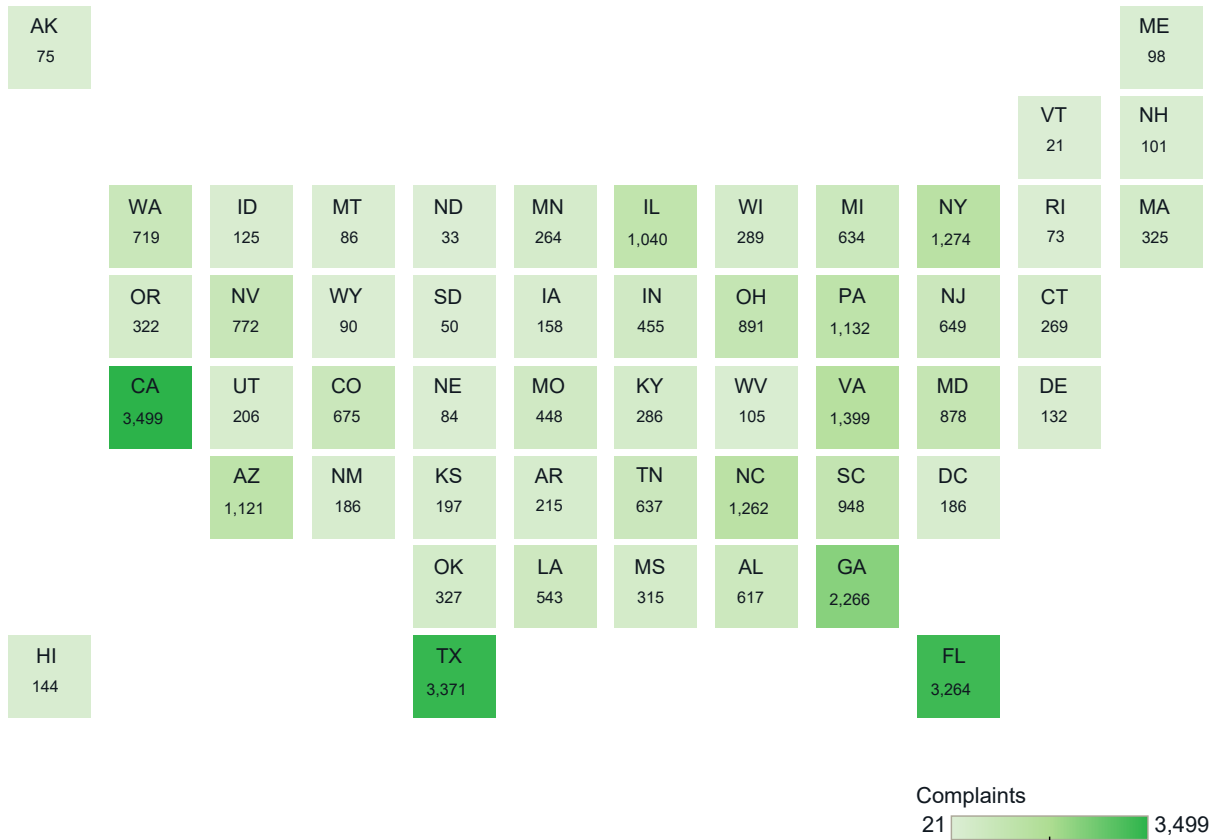
**FIGURE 3: COMPLAINTS SUBMITTED BY MILITARY AND NON-MILITARY CONSUMERS**



As in past years, in FY19 the Bureau received complaints from military consumers in all 50 states and the District of Columbia. As shown in Figure 4, the Bureau again received the most complaints from states with the largest military and veteran populations, which are California, Texas, and Florida.<sup>8</sup>

<sup>8</sup> According to the VA data, veterans are more concentrated in California, Texas, and Florida. *See generally* [va.gov/vetdata/docs/Maps/VetPop2010.pdf](http://va.gov/vetdata/docs/Maps/VetPop2010.pdf) (visited January 31, 2020).

**FIGURE 4: COMPLAINT VOLUME BY STATE SUBMITTED BY MILITARY CONSUMERS**

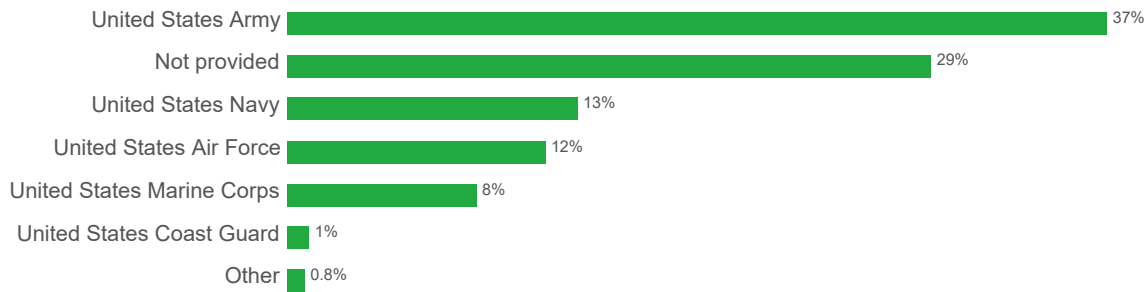


The next group of figures show the breakdown of military consumer complaints received in FY19 by military status (Figure 5), military branch of service (Figure 6), and by rank (Figure 7).

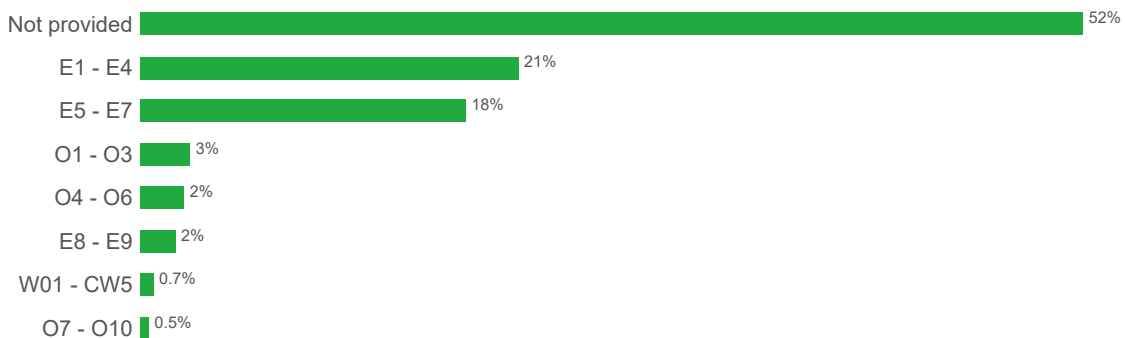
**FIGURE 5: PERCENTAGE OF MILITARY CONSUMER COMPLAINTS BY MILITARY STATUS**



**FIGURE 6: PERCENTAGE OF MILITARY CONSUMER COMPLAINTS BY BRANCH OF SERVICE<sup>9</sup>**



**FIGURE 7: PERCENTAGE OF MILITARY CONSUMER COMPLAINTS BY RANK**



## 3.2 Military consumer complaints by type

The remainder of this subsection focuses only on those complaints received during FY19 for which the company confirmed a commercial relationship with the military consumer, and responded with an explanation of relief, or did not provide a timely response.<sup>10</sup>

<sup>9</sup> “Other” branch of service denotes the uniformed Commissioned Corps of the Public Health Service and the National Oceanic and Atmospheric Administration.

<sup>10</sup> The analysis in this subsection reflects the data in the public Consumer Complaint Database as of October 1, 2019. Complaints are listed in the database after a company responds or after it has had the complaint for 15 calendar days, whichever comes first. Complaints that do not meet publication criteria may be removed from the database. The publication criteria are available at [consumerfinance.gov/f/201303\\_cfpb\\_Final-Policy-Statement-Disclosure-of-Consumer-Complaint-Data.pdf](https://consumerfinance.gov/f/201303_cfpb_Final-Policy-Statement-Disclosure-of-Consumer-Complaint-Data.pdf).

### 3.2.1 Credit or consumer reporting

Approximately 10,500 of this subset of complaints from military consumers were about credit or consumer reporting complaints from military consumers in FY19. When submitting complaints and after identifying the financial product or service, consumers identify the issue that best describes the problem they experienced. As shown in Figure 8, for FY19 the most common credit reporting issue reported by military consumers was incorrect information on a credit report.<sup>11</sup>

**FIGURE 8: TYPES OF CREDIT OR CONSUMER REPORTING COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**



### 3.2.2 Debt collection

Approximately 4,900 of this subset of complaints from military consumers were about debt collection. Consumers can submit complaints about creditors collecting their own debts (i.e., first-party collectors) or companies collecting debt on behalf of others, such as creditors or businesses (i.e., third-party collectors).<sup>12</sup>

When the Bureau received debt collection complaints about companies where it was not the primary Federal regulator (e.g., a mobile phone or Internet service provider), it referred the complaints to other regulatory agencies.

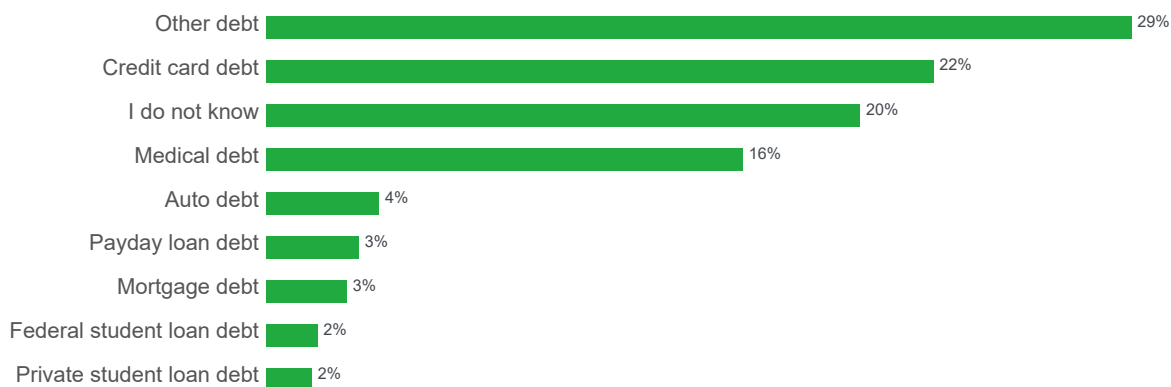
<sup>11</sup> The CFPB publishes an annual list of consumer reporting companies. This list includes the three nationwide credit reporting companies as well as other companies that focus on certain market areas and consumer segments. See CFPB, *List of Consumer Reporting Companies* (Jan. 2019), available at [consumerfinance.gov/documents/6138/cfpb\\_consumer-reporting-companies-list.pdf](https://consumerfinance.gov/documents/6138/cfpb_consumer-reporting-companies-list.pdf) (visited January 31, 2020).

<sup>12</sup> See CFPB, *Fair Debt Collection Practices Act Annual Report 2019* (Mar. 2019) (“Debt collection is a \$11.5 billion industry that employs nearly 118,500 people across approximately 7,700 collection agencies in the United States. ... According to the CFPB’s Consumer Credit Panel, about 28 percent of consumers with a credit file have a third-party collection trade line listed.”) (citations omitted), available at [consumerfinance.gov/data-research/research-reports/fair-debt-collection-practices-act-annual-report-2019](https://consumerfinance.gov/data-research/research-reports/fair-debt-collection-practices-act-annual-report-2019) (visited January 31, 2020).



As shown in Figure 9, in FY19, “other” debt and credit card debt were the most complained about debt types in the debt collection category.<sup>13</sup> “Other” debt includes miscellaneous products and services such as a phone bill, a health club membership, or home utility services (e.g. gas, electric, etc.).

**FIGURE 9: DEBT COLLECTION COMPLAINTS SUBMITTED BY MILITARY CONSUMERS BY TYPE OF DEBT**



As shown in Figure 10, for FY19, the most common issue selected by military consumers was attempts to collect debt not owed. The OSA also remains concerned about the third largest debt collection complaint category for military consumers—that the debt collector “took or threatened to take negative or legal action.”

The Bureau has previously documented how debt collectors have threatened servicemembers with legal action under the Uniform Code of Military Justice (UCMJ).<sup>14</sup> The problems associated with unpaid debts, either real or perceived, can greatly affect military careers and may lead to administrative or criminal proceedings by servicemembers’ chain of command.<sup>15</sup> These latest data reinforces the need for the OSA to educate servicemembers about how to properly respond to debt collectors who threaten UCMJ or other legal action.

<sup>13</sup> The CFPB’s complaint form requires consumers to select the type of debt from a list, including *I don’t know*.

<sup>14</sup> See [consumerfinance.gov/about-us/blog/servicemembers-2015-a-year-in-review](https://consumerfinance.gov/about-us/blog/servicemembers-2015-a-year-in-review) (visited January 31, 2020).

<sup>15</sup> See e.g. [consumerfinance.gov/about-us/blog/are-unpaid-debts-a-military-career-killer](https://consumerfinance.gov/about-us/blog/are-unpaid-debts-a-military-career-killer) (visited January 31, 2020); [consumerfinance.gov/about-us/blog/warno-new-security-clearance-guidelines-make-it-more-important-ever-servicemembers-monitor-their-credit](https://consumerfinance.gov/about-us/blog/warno-new-security-clearance-guidelines-make-it-more-important-ever-servicemembers-monitor-their-credit) (visited January 31, 2020).

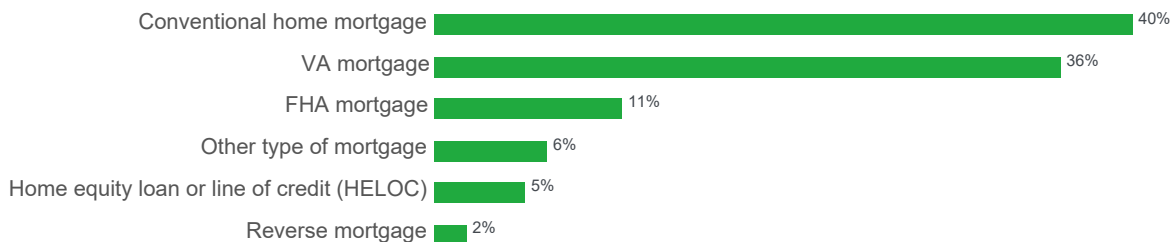
**FIGURE 10: DEBT COLLECTION COMPLAINTS SUBMITTED BY MILITARY CONSUMERS BY ISSUE**



### 3.2.3 Mortgages

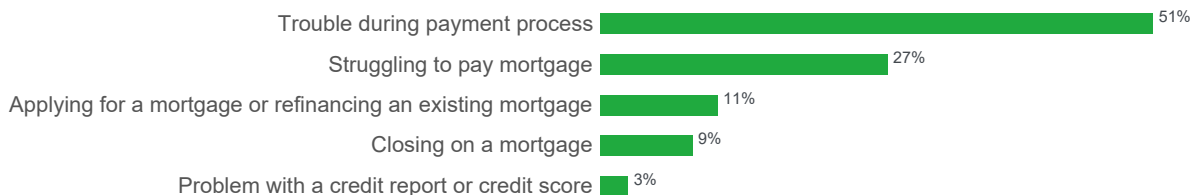
Approximately 2,900 of this subset of complaints from military consumers were about mortgages. Figure 11 shows the full breakout for types of mortgage products complaints for military consumers during the reporting period.

**FIGURE 11: TYPES OF MORTGAGE PRODUCTS ABOUT WHICH MILITARY CONSUMERS COMPLAINED**



As in past years, the most common type of mortgage complaint submitted by military consumers is “trouble during the payment process.” Figure 12 shows the full breakout of types of mortgage complaints submitted by military consumers during the reporting period.

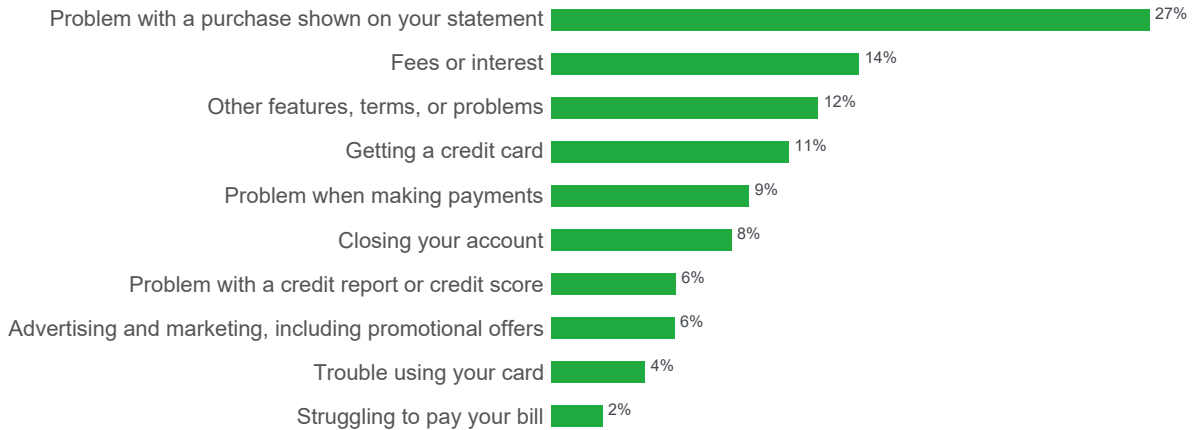
**FIGURE 12: TYPES OF MORTGAGE COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**



### 3.2.4 Credit cards

Approximately 2,200 of this subset of complaints from military consumers were about credit cards. Figure 13 shows the full breakout of credit card complaints for military consumers during the reporting period.

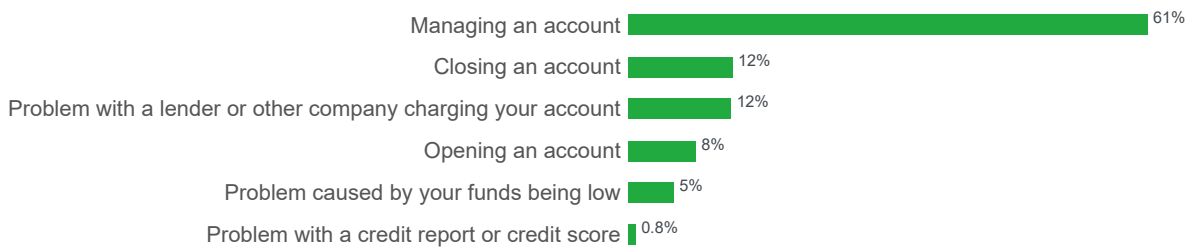
**FIGURE 13: TYPES OF CREDIT CARD COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**



### 3.2.5 Checking or savings accounts

Approximately 1,700 of this subset of complaints from military consumers were about checking or savings accounts. Figure 14 shows the full breakout of checking or savings account complaints for military consumers during the reporting period.

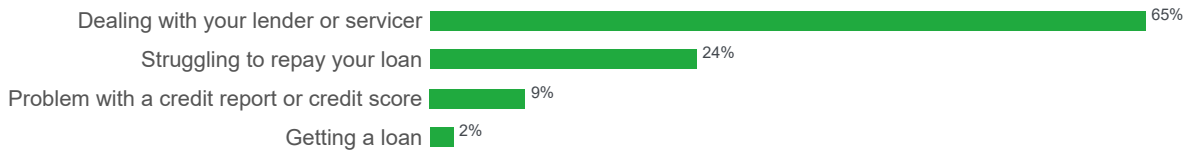
**FIGURE 14: TYPES OF CHECKING OR SAVINGS COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**



### 3.2.6 Student loans

Approximately 800 of this subset of complaints from military consumers were about student loans. Figure 15 shows the full breakout of student loan complaints for military consumers during the reporting period.

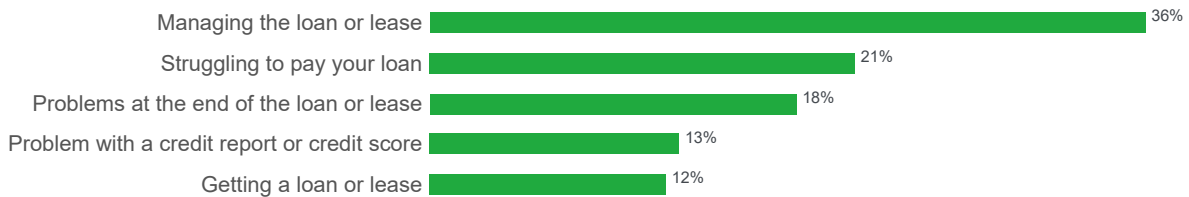
**FIGURE 15: TYPES OF STUDENT LOAN COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**



### 3.2.7 Vehicle loans or leases

Approximately 700 of this subset of complaints from military consumers were about vehicle loans or leases. Figure 16 shows the full breakout of vehicle loan or lease complaints for military consumers during the reporting period.

**FIGURE 16: TYPES OF VEHICLE LOAN OR LEASE COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**



### 3.2.8 Money transfers, money services, and virtual currencies

Approximately 400 of this subset of complaints from military consumers were about money transfers, money services, or virtual currencies. Figure 17 shows the full breakout of money transfer, money services, and virtual currency complaints for military consumers during the reporting period.

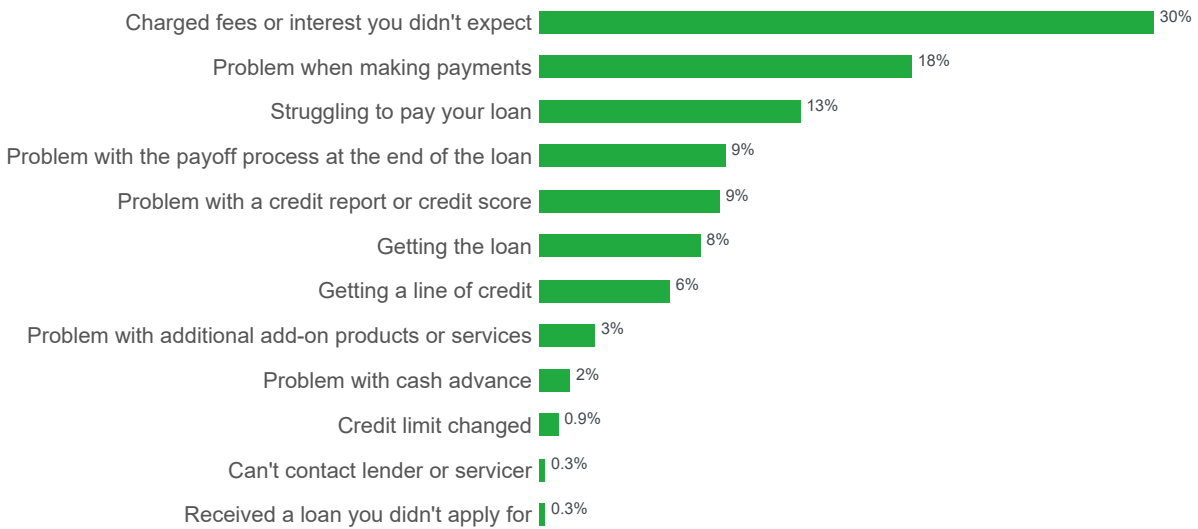
**FIGURE 17: TYPES OF MONEY TRANSFER, MONEY SERVICES, AND VIRTUAL CURRENCY COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**



### 3.2.9 Personal loans

Approximately 300 of this subset of complaints from military consumers were about personal loans. Figure 18 shows the full breakout of personal loan complaints for military consumers during the reporting period.

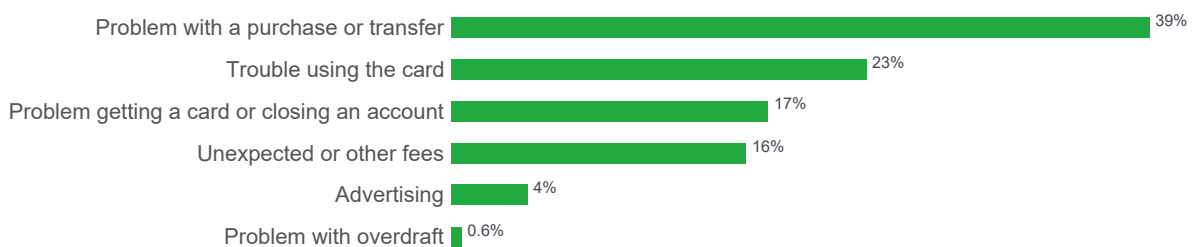
**FIGURE 18: TYPES OF PERSONAL LOAN COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**



### 3.2.10 Prepaid cards

Approximately 170 of this subset of complaints from military consumers were about prepaid cards. Figure 19 shows the full breakout of prepaid card complaints for military consumers during the reporting period.

**FIGURE 19: TYPES OF PREPAID CARD COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**



### 3.2.11 Payday loans

Approximately 150 of this subset of complaints from military consumers were about payday loans. Figure 20 shows the full breakout of payday loan complaints for military consumers during the reporting period.

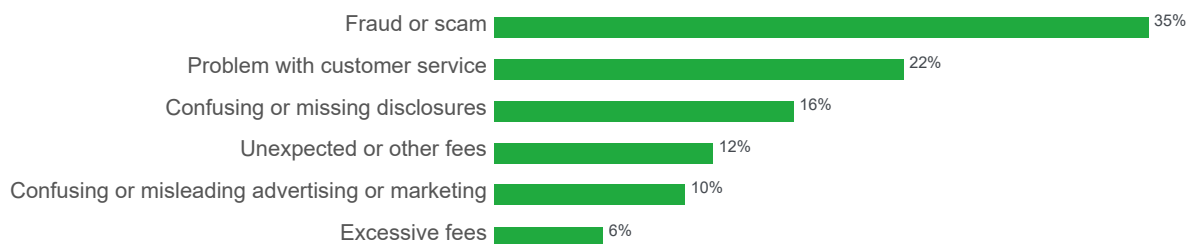
**FIGURE 20: TYPES OF PAYDAY LOAN COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**



### 3.2.12 Credit repair

Approximately 70 of this subset of complaints from military consumers were about credit repair. Figure 21 shows the full breakout of credit repair complaints for military consumers during the reporting period.

**FIGURE 21: TYPES OF CREDIT REPAIR COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**



### 3.2.13 Title loans

Approximately 70 of this subset of complaints from military consumers were about title loans. Figure 22 shows the full breakout of title loan complaints for military consumers during the reporting period.

**FIGURE 22: TYPES OF TITLE LOAN COMPLAINTS SUBMITTED BY MILITARY CONSUMERS**





## 4. Coordination with other Federal and state government agencies

The Bureau coordinates with other Federal and state agencies regarding consumer protection measures for military consumers. During this reporting period, the OSA coordinated several activities with the Departments of Defense (DOD), Veterans Affairs (VA), and Education (ED), along with the Department of the Treasury, the FTC, and the Securities and Exchange Commission (SEC).

For example, OSA, working with the VA and FTC, and the Bureau's Office of Financial Protection for Older Americans, created a new food placemat to distribute to veteran nursing homes and other organizations that serve veterans meals. The placemat is focused on scams involving a special VA benefit for disabled veterans and provides the VA's direct telephone number to help disabled veterans apply safely for this special VA benefit. Meanwhile, the placemat also directs disabled veterans and/or their caregivers to report any scams to the FTC.<sup>16</sup>



*A picture of the Bureau's placemat focused on scams targeting veterans*

<sup>16</sup> All of the Bureau's placemats are available at: [consumerfinance.gov/placemats](https://consumerfinance.gov/placemats) (visited January 31, 2020).

In addition, the Bureau also worked closely with other Federal and state agencies to raise awareness on mutually important issues. In Table 1 below is a list of the agencies, topics, and methods in which the OSA led the collaboration in FY19.

**TABLE 1: COLLABORATIONS BY THE OSA WITH OTHER FEDERAL AND STATE AGENCIES**

Agency	Topic	Method
SEC	Actions for financial success	Blog post <sup>17</sup>
FTC / VA	Placemat to prevent veteran scams	Blog post and placemat <sup>18</sup>
DOD	Servicemembers' financial well-being	Blog post <sup>19</sup>
State Attorneys General	Military Consumer financial protection	NAAG training <sup>20</sup>
State/County VA Staff	Military Consumer financial protection	NACVSO training <sup>21</sup>

The OSA participates in a few interagency working groups, including:

- The U.S. Financial Literacy and Education Commission (FLEC); and
- The Department of Justice's (DOJ) Servicemembers and Veterans Initiative to build a comprehensive legal support and protection network focused on serving servicemembers, veterans, and their families.

<sup>17</sup> See [consumerfinance.gov/about-us/blog/servicemembers-immediate-actions-financial-success-pay-down-debt-make-plan-start-early](https://consumerfinance.gov/about-us/blog/servicemembers-immediate-actions-financial-success-pay-down-debt-make-plan-start-early) (visited January 31, 2020).

<sup>18</sup> See [consumerfinance.gov/about-us/blog/helping-prevent-scams-targeted-veterans](https://consumerfinance.gov/about-us/blog/helping-prevent-scams-targeted-veterans) (visited January 31, 2020).

<sup>19</sup> See [consumerfinance.gov/about-us/blog/servicemembers-exhibit-higher-levels-financial-well-being-us-population](https://consumerfinance.gov/about-us/blog/servicemembers-exhibit-higher-levels-financial-well-being-us-population) (visited January 31, 2020).

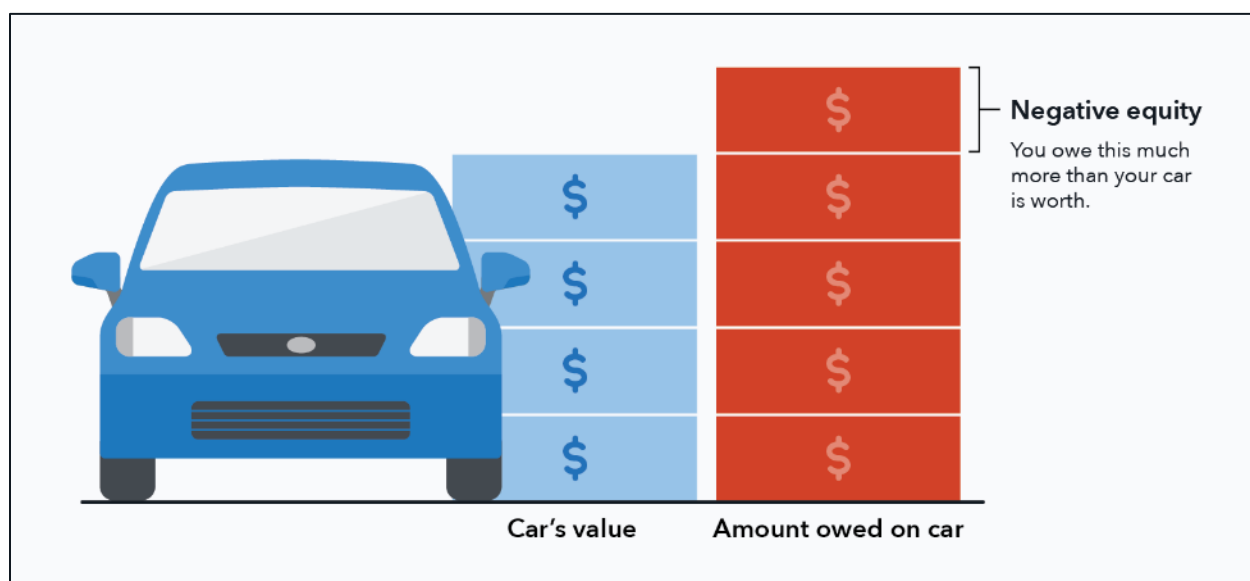
<sup>20</sup> The National Association of Attorneys General (NAAG) serves as the national forum for attorneys general and their staff to collaboratively and effectively address issues important to their work and provides resources to support the work of the offices of attorneys general in protecting the Rule of Law and the United States Constitution. See [naag.org](https://naag.org) to learn more.

<sup>21</sup> The National Association of County Veterans Service Officers (NACVSO) is an organization made up of state/local government employees. The NACVSO represents approximately 1,800 members from 36 states as well as Native American Tribes available to collaborate with the Department of Veterans' Affairs to help speed the process of claims development and transition of military personnel to civilian life. See [nacvso.org](https://nacvso.org) to learn more.

## 5. Auto lending education for military consumers

As noted in Section 1, the Dodd-Frank Act requires that the Fed and the FTC coordinate with the OSA to ensure that servicemembers and their families are educated and empowered to make better informed decisions regarding consumer financial products and services offered by motor vehicle dealers, especially motor vehicle dealers that operate near military installations.<sup>22</sup>

Roughly 75 percent of servicemembers have a vehicle loan.<sup>23</sup> In FY19, the Bureau collaborated with the FTC to create a four-part blog post series to better educate military consumers about the car-buying process and support the skills that are useful in navigating potential challenges. The blog series teaches military consumers how to shop for auto financing;<sup>24</sup> whether they should buy a new or used car;<sup>25</sup> how to trade in a car;<sup>26</sup> and how to watch out for expensive add-on products.<sup>27</sup> The following is an infographic from one of the blogs explaining negative equity.



<sup>22</sup> See 12 U.S.C. § 5519(e).

<sup>23</sup> See Department of Defense, *QuickCompass of Financial Issues* (2013), available at [dmdc.osd.mil/appj/dwp/rest/download?fileName=QCFA1301\\_TabVolume.pdf&groupName=pubFinSurAD](https://dmdc.osd.mil/appj/dwp/rest/download?fileName=QCFA1301_TabVolume.pdf&groupName=pubFinSurAD) (visited January 31, 2020).

<sup>24</sup> See [consumerfinance.gov/about-us/blog/servicemembers-arm-yourself-basic-car-buying-skills-how-to-shop-auto-financing](https://consumerfinance.gov/about-us/blog/servicemembers-arm-yourself-basic-car-buying-skills-how-to-shop-auto-financing) (visited January 31, 2020).

<sup>25</sup> See [consumerfinance.gov/about-us/blog/servicemembers-arm-yourself-basic-car-buying-skills-should-you-buy-new-or-used-car](https://consumerfinance.gov/about-us/blog/servicemembers-arm-yourself-basic-car-buying-skills-should-you-buy-new-or-used-car) (visited January 31, 2020).

<sup>26</sup> See [consumerfinance.gov/about-us/blog/servicemembers-arm-yourself-basic-car-buying-skills-be-smart-when-trading-car](https://consumerfinance.gov/about-us/blog/servicemembers-arm-yourself-basic-car-buying-skills-be-smart-when-trading-car) (visited January 31, 2020).

<sup>27</sup> See [consumerfinance.gov/about-us/blog/servicemembers-arm-yourself-basic-car-buying-skills-stand-your-guard-when-it-comes-add-products](https://consumerfinance.gov/about-us/blog/servicemembers-arm-yourself-basic-car-buying-skills-stand-your-guard-when-it-comes-add-products) (visited January 31, 2020).

# 6. Military consumer research

Over the past year the OSA, the Office of Financial Education, and the Office of Research have studied the military community in a variety of ways to get a better understanding of military consumers. Below are highlights from this research.

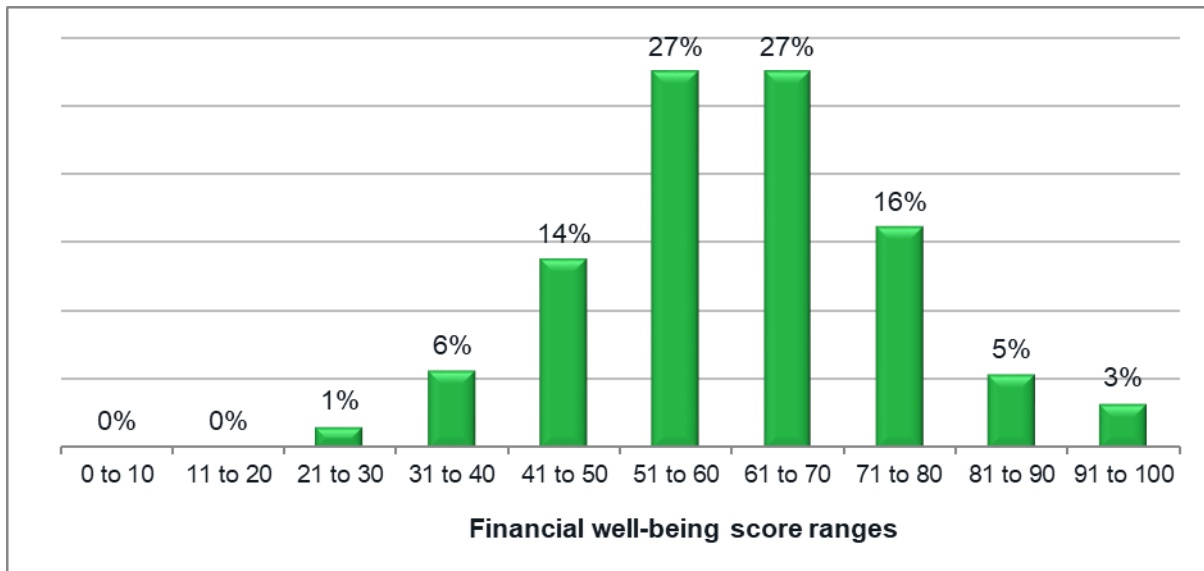
## 6.1 Financial well-being of veterans

In 2015, the Bureau released a scale to measure a person's sense of financial well-being. The scale expands the Bureau's understanding of consumers' financial situation beyond traditional measures of socio-economic status such as income and wealth. It also provides an opportunity to study how other factors, such as expenses, financial literacy, goals, and preferences, contribute to a person's perception of financial well-being. In late 2016, the Bureau administered the financial well-being scale in a nationwide survey of adults in the United States. This work was developed and led by the Bureau's Office of Financial Education.

The survey was a nationally representative sample for the general public. Although the sample for veterans was not nationally representative, a statistically significant number of respondents identified as veterans and the Bureau analyzed the veteran responses to produce a research brief in April 2019. The Bureau's review of the responses by veterans in the survey found that they reported higher levels of financial well-being than the average U.S. adult.

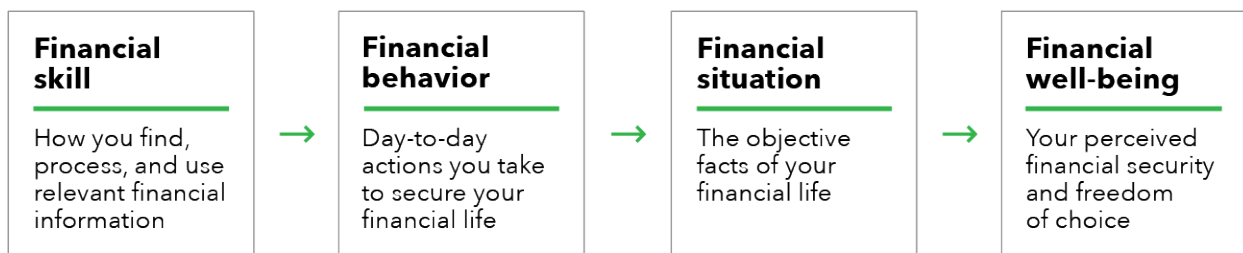
As shown in Figure 23 below, the financial well-being of veterans who took the survey is relatively high, with an average financial well-being score of 61 for the veterans in this sample (on a scale from 0 to 100).

**FIGURE 23:** DISTRIBUTION OF FINANCIAL WELL-BEING SCORES FOR THE VETERAN SAMPLE



The Bureau’s analysis of the veteran survey responses also found evidence that financial skills (e.g. making a budget, not overspending, etc.) are positively associated with financial behavior, which is also positively associated with financial situation and higher levels of financial well-being. As illustrated in Figure 24, this analysis suggests that there is a pathway from financial skill to financial well-being.

**FIGURE 24:** MODEL OF FINANCIAL CAPABILITY FACTORS AND FINANCIAL WELL-BEING



The analysis also found that several socioeconomic characteristics are associated with positive financial well-being. The strongest associations were with higher education, age, physical health, and homeownership. However, the analysis also found that veterans, like other U.S. adults, have financial experiences that are negatively associated with financial well-being,

including student loan debt, using non-bank, short-term credit products and being contacted by a debt collector. Like the Bureau’s analysis of survey respondents for the U.S. adult population, veterans reported a wide range of financial well-being scores.<sup>28</sup>

## 6.2 Military consumers use of VA-home loans

Military consumers have access to home loans guaranteed by the VA and offered through private lenders. VA-guaranteed home loans differ from other mortgages in several ways including allowing a purchase with no down payment,<sup>29</sup> and no mortgage insurance, and providing stronger loan-servicing protections<sup>30</sup> than other mortgages. However, VA-loan borrowers generally pay a loan funding fee and may be required to meet residual-income and other eligibility rules specific to the VA program.<sup>31</sup>

In March 2019, the Bureau’s Office of Research prepared a report using the Consumer Credit Panel (CCP) to describe mortgages to servicemembers who are first-time homebuyers, focusing on how their home loan choices have evolved from 2006 to 2016.<sup>32</sup> Prior Bureau work has documented that home purchases were primarily financed with conventional loans during the housing boom, followed by a rise in the share of nonconventional home-purchase mortgages in the years following the collapse of the housing market.<sup>33</sup> This report focuses specifically on VA loans and finds a similar increase in the share of VA loans during the housing crisis. This increase persisted through at least 2017, in contrast to a decline in nonconventional loans among ordinary consumers in recent years.

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<sup>28</sup> See CFPB, *Financial Well-Being of Veterans* (Apr. 2019), available at [consumerfinance.gov/data-research/research-reports/financial-well-being-veterans](https://consumerfinance.gov/data-research/research-reports/financial-well-being-veterans) (visited January 31, 2020).

<sup>29</sup> “[N]early 90% of VA-backed loans are made with no down payment.” U.S. Department of Veterans Affairs (2018). See [va.gov/housing-assistance/home-loans](https://va.gov/housing-assistance/home-loans) (visited January 31, 2020).

<sup>30</sup> These protections range from VA-provided loan counseling and assistance working with loan servicers, to VA’s authority to force a loan servicing transfer or servicing the loan in-house.

<sup>31</sup> The funding fee ranges from 1.25 to 3.3 percent for home purchase loans, depending on veteran status, down-payment size, and first or subsequent use of VA loan benefits. The fee is waived for applicants with a service-connected disability. Other details on VA home loan benefits, costs, and eligibility requirements are available at [va.gov/housing-assistance/home-loans](https://va.gov/housing-assistance/home-loans) (visited January 31, 2020).

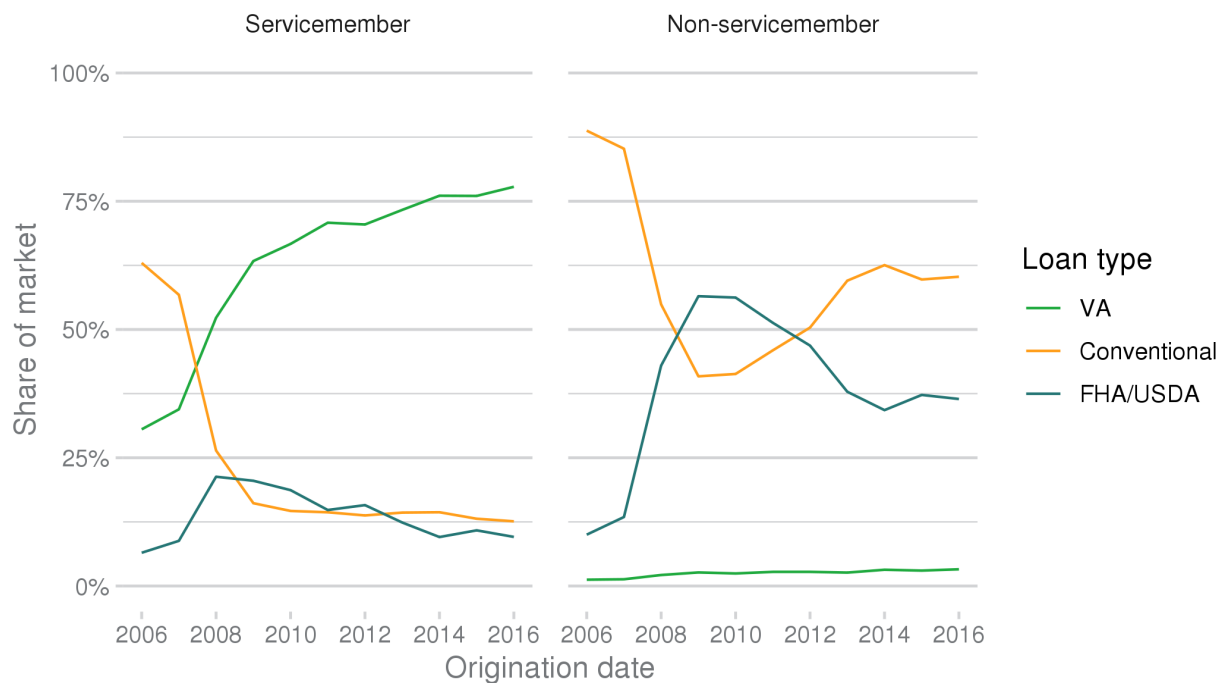
<sup>32</sup> See CFPB, *Quarterly Consumer Credit Trends: Mortgages to First-Time Homebuying Servicemembers* (Mar. 2019), available at [consumerfinance.gov/data-research/research-reports/quarterly-consumer-credit-trends-mortgages-first-time-homebuying-servicemembers](https://consumerfinance.gov/data-research/research-reports/quarterly-consumer-credit-trends-mortgages-first-time-homebuying-servicemembers) (visited January 31, 2020).

<sup>33</sup> These observations are based on Home Mortgage Disclosure Act (HMDA) data. CFPB, *Data Point: 2017 Mortgage Market Activity and Trends* (HMDA Report, 2018), Figure 2, available at [consumerfinance.gov/data-research/research-reports/cfpb-data-point-mortgage-market-activity-and-trends](https://consumerfinance.gov/data-research/research-reports/cfpb-data-point-mortgage-market-activity-and-trends) (visited January 31, 2020).

Figure 25 shows that, for servicemembers, there was a large increase in the share of VA loans and a relatively smaller increase in the Federal Housing Administration and U.S. Department of Agriculture (FHA/USDA) share. About 30 percent of loans to first-time homebuying servicemembers were VA loans before 2007, and this share increased sharply to 63 percent by 2009, then rose more gradually to 78 percent in 2016. Conventional home loan use was widespread among servicemembers before 2008, but the conventional-loan share fell to about 13 percent of first-time homebuying servicemembers by 2016.

Among non-servicemembers, conventional home loans made up almost 90 percent of new home purchases before 2008. By 2009 the conventional share of loans to non-servicemembers fell to 41 percent, with FHA/USDA loans making up the majority share of non-servicemember mortgages from 2009 to 2011. From 2013 onward, the FHA/USDA share hovered below 40 percent. During this period, a small fraction of non-servicemembers also participated in VA loans, either as a joint buyer with a servicemember co-borrower, or as a surviving spouse of a servicemember.

**FIGURE 25: HOME LOAN SHARES AMONG FIRST-TIME HOMEBUYERS AGES 42 OR YOUNGER, BY SERVICEMEMBER STATUS AND LOAN TYPE, 2006-2016, YEARLY**



# 7. Conclusion

Military consumers face many of the same challenges as other consumers who use financial products and services. But military consumers often have additional obstacles that impact their ability to resolve issues that arise with their use of financial products and services.

Servicemembers get deployed to combat zones or must move their families across the world on short-notice. Some veterans have a mental or physical disability that impairs their ability to communicate with financial institutions or understand the details about a financial product or service. Military families remain the bedrock of support for our Nation's servicemembers and veterans, but recent surveys have shown that financial issues are a top source of stress and worry.<sup>34</sup>

The Bureau works to educate military consumers about financial issues, so that servicemembers can better focus their efforts on their missions and veterans can focus their energy on transitioning back to life in their communities. The Bureau is committed to helping military consumers navigate their financial lives during the course of their military careers and beyond.

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<sup>34</sup> See e.g. Blue Star Families, *2018 Military Family Lifestyle Survey Results*, available at [bluestarfam.org/wp-content/uploads/2019/02/2018MFLS-Comprehensive-Infographic\\_v2.pdf](https://bluestarfam.org/wp-content/uploads/2019/02/2018MFLS-Comprehensive-Infographic_v2.pdf) (visited January 31, 2020); Military Family Advisory Network, *2017 Military Family Support Programming Survey Results*, available at [militaryfamilyadvisorynetwork.org/wp-content/uploads/MFAN-Survey-Report-2018.pdf](https://militaryfamilyadvisorynetwork.org/wp-content/uploads/MFAN-Survey-Report-2018.pdf) (visited January 31, 2020); National Foundation for Credit Counseling, *Military Finances Survey: Research Report (2019)*, available at [nfcc.org/resources/client-impact-and-research/2019-military-financial-readiness-survey](https://nfcc.org/resources/client-impact-and-research/2019-military-financial-readiness-survey) (visited January 31, 2020).