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September 19, 2006

Dear Representative:

On behalf of the American Bar Association, thank you for your support for legislation to stem predatory lending and other abusive lending practices that target the most vulnerable members of our military and their families. The American Bar Association has been deeply concerned over how practices such as these undermine the stability of military families, affecting both battle-readiness and decades of hard-fought legal protections for those who nobly serve our country.

As you take up S. 418 today, we ask that you consider the protections it accords as an important first step in addressing the scope of the problem identified last month in the Department of Defense's *Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents*. For your reference, I am including a copy of the letter we sent for the Department's consideration, which was incorporated into the report's appendix.

Both S. 418 and related bill H.R. 458 provide valuable protections, but ultimately a more comprehensive shield for our most financially vulnerable soldiers and sailors is needed. Accordingly, we commend to your attention the comprehensive recommendations of the Department's report.

Again, thank you for your ongoing attention to this critical issue. Our nation's security depends on the financial and family stability of our servicemembers. We owe our best to those who already sacrifice so much for us.

Sincerely,



Robert D. Evans

attachment



AMERICAN BAR ASSOCIATION

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By UPS Express Delivery

June 1, 2006

Leslye Arsht
Deputy Undersecretary of Defense
for Military Community and Family Policy
5A726
4000 Defense Pentagon
Washington, D.C. 20301-4001

Dear Ms. Arsht:

On behalf of the more than 400,000 members of the American Bar Association (“ABA”), I respectfully submit this statement of the ABA’s position on predatory lending practices targeting our nation’s servicemembers and their families. I direct this statement to you in your capacity as Principal of the ongoing Department of Defense study of predatory lending practices, conducted pursuant to Section 579 of the Fiscal 2006 Defense Authorization Act (the “Sec. 579 Study” or “Study”). I request all appropriate consideration hereof in the findings and recommendations to be presented in your final report to Congress pursuant to Section 579.

The ABA regards the panoply of abusive lending practices that have long burdened the nation’s military men and women – particularly those many lower-income members who can least afford to be financially exploited – as harmful to servicemembers and their families and bad for military morale and readiness. Lending practices that prey on our military men and women, moreover, are an affront to a national business community that by and large not only lives by fair business practices but gratefully honors those who serve. That the sharp practices of a relative few continue to ensnare our military members in usurious debt, and that specific corrective Congressional action has not yet been taken against these abusive practices, is of concern to the organized bar of this nation.

The ABA believes that the ample record adduced to date with respect to the destructive impact of these practices on our servicemembers and their families speaks powerfully to an urgent need for remedial Congressional action, not limited to so-called payday loans but extending to other unfair consumer credit practices, such as deceptive auto financing, auto title pawn practices, and abusive installment loans. Indeed, we recognize that some of these other practices may now match the payday loan scandal in terms of overall harmful economic impact on our servicemembers. The ABA commends you and your Study staff for conscientiously assessing, in the course of the Study, the effects of these additional practices on the military, and we urge you to propose corrective action in all instances where warranted.

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At the same time, we do have concerns that broadening the scope of the Study and its report beyond payday loans not have the unintended result of legislative inaction once the final Sec. 579 Study report is submitted. The ABA therefore urges that the final Sec. 579 Study report prioritize those abusive practices identified, in terms of acuity and breadth of the practice, and offer guidance as to which of the identified problems are most ripe for corrective action by Congress, taking into account the real remedial value of particular prospective Congressional measures.

With respect to predatory payday loans, the ABA applauds your Study staff for according significant weight to research on the subject, including the widely cited Graves-Peterson study, which tends to establish that predatory lenders have deliberately exploited servicemembers by clustering their offices outside the gates of military installations.

The ABA also is aware that your Study staff has gathered empirical and anecdotal information from military lawyers and counselors with first-hand knowledge of the effects of predatory credit practices on their servicemember clients. We urge the Study staff to draw on this resource in a way that preserves and underscores the personal dimension of this problem in your final report to Congress. It must not be lost on those charged with addressing these issues that the greatest harm caused by predatory lending practices is damage done to the lives and dreams of servicemembers and their families by unremitting, unjust consumer debt.

Thank you for your consideration of the position of the American Bar Association on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "E. E. Anderson". The signature is fluid and cursive, written over a light grey rectangular background.

Earl E. Anderson, Gen., USMC (Ret.)
Chair, ABA StC on Legal
Assistance for Military Personnel

For the American Bar Association

cc: Mr. Marcus Beauregard (via email)