



Consumer Federation of America



Consumer Groups Applaud CFPB and Attorneys General Action to Protect Servicemembers From Hidden Interest Charges and Abusive Debt Collection Practices

More protections needed to protect servicemembers from abusive lending and the misuse of the military allotment system

Washington, D.C. – Today, the Consumer Financial Protection Bureau and 13 state attorneys general issued an [enforcement action](#) against Colfax Capital Corporation and Culver Capital, LLC, known as Rome Finance, for targeting servicemembers and consumers with expensive debt that was not properly disclosed and for attempting to collect illegal debts.

The Consumer Federation of America, Americans for Financial Reform, National Association of Consumer Advocates, Center for Responsible Lending, and the National Consumer Law Center (on behalf of its low-income clients) issue the following statement in support of the enforcement action and call for improved financial protections for servicemembers.

We applaud [today's action](#) taken by the Consumer Financial Protection Bureau (CFPB) and the attorneys general of 13 states against Rome Finance to halt abusive lending practices and to ensure that servicemembers and consumers have access to fair and clearly disclosed credit options. We also urge the Department of Defense to move forward with much-needed improvements to the Military Lending Act to protect servicemembers from triple-digit interest rates and establish guidelines to prevent the misuse of the military allotment system.

About the Consent Order with Rome Finance

Rome Finance targeted servicemembers and consumers with finance offers for products such as computers and televisions – often requiring no down payment and disclosing a low interest rate. However, the CFPB and state attorneys general found that Rome Finance had inflated the initial cost of the products and shrouded the true cost of borrowing. As a result, servicemembers and consumers paid higher interest rates than were disclosed and these higher interest rates violated the interest rate restrictions of many states. Rome Finance also deceived consumers by attempting to collect payments on loans that were in violation of some state laws.

The enforcement action permanently barred Rome Finance from further lending activity and required that the company provide approximately \$92 million in debt relief to approximately 17,000 consumers with outstanding loans. Rome Finance will also be required to compensate servicemembers and consumers for hidden, inflated interest charges.

Participating in this national effort were the Consumer Financial Protection Bureau, the Georgia Governor's Office of Consumer Protection and the states Attorneys General of Colorado, Delaware, Florida, Kentucky, Indiana, Iowa, Massachusetts, Michigan, North Carolina, New York, Tennessee and Vermont.

Status of other efforts to protect servicemembers from financial abuse

Certain types of high-cost credit made to servicemembers, such as high-cost short-term payday loan and auto title loans, are subject to a 36 percent interest rate cap and other protections under the Military Lending Act. However, there are a number of [well-documented loopholes](#) that exempt longer-term loans and open-end credit from the MLA protections. In 2012, Congress required the Department of Defense to [examine the effectiveness](#) of the Military Lending Act. In 2013, DoD issued an [advance notice of proposed rulemaking](#) to collect information on the effectiveness of the current MLA rules. A proposed rule to address these loopholes is expected in 2014.

Military allotments allow lenders to directly debit payments from a servicemember's paycheck, a process that is often [vulnerable to misuse](#). In June 2013, following a \$6.5 million enforcement action against an auto lender engaged in deceptive lending practices using the allotment system, Secretary of Defense Chuck Hagel [created a working group](#) to examine the issue and report back with recommendations within 180 days. These recommendations are still pending.

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