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SELECT COMMITTEE ON ETHICS

United States Senate

WASHINGTON, DC 20510

February 8, 2011

Holly Petraeus
Director
Office of Servicemember Affairs
Consumer Financial Protection Bureau
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Director Petraeus,

In the last two years, the rate of foreclosure filings near military bases rose 32 percent. More than 20,000 veterans, active-duty troops and reservists lost their homes last year — the highest number since 2003. And there have been recent violations of the Servicemembers Civil Relief Act (SCRA) by large financial institutions, resulting in military personnel and their families paying significantly more interest than allowed by the SCRA, and in some cases losing their homes to unlawful foreclosures. These violations require your immediate attention. I ask that the newly established Office of Service member Affairs within the Consumer Financial Protection Bureau focus on ensuring our nation's military families are well informed of their protections under the SCRA, and that financial institutions share in this responsibility — and be held accountable if they fail to do so.

I commend the steps you have already taken to encourage banks to adhere to the SCRA, but these cases demonstrate the need for additional reforms. During tough economic times, we need to work together to close any loopholes that could cause a member of our military or their family to be evicted from their home.

This is not the first time that significant violations of the SCRA by large financial institutions have made national news. The sad reality is that violations highlighted by national newspapers years ago are being repeated again and again. It appears that the banks cannot be trusted to police themselves on this issue, even though the details of the SCRA are significantly less complicated and convoluted than those found in a typical credit card disclosure statement. For banks to claim that the law is too difficult to understand or heed simply does not hold water.

As you know, the SCRA aims to strengthen our national defense by protecting servicemembers and their families in a number of ways. It allows for the temporary suspension of judicial and administrative proceedings during military service. Other key provisions include limiting the interest rate on debts incurred prior to a person's entry onto active duty, and protecting military personnel and their families from eviction without a court order. It also allows for early

termination of residential and vehicle leases when servicemembers receive certain military orders requiring them to move or deploy overseas.

Unfortunately, the onus of SCRA compliance and enforcement often rests initially with those who are most heavily burdened with the defense of our nation – servicemembers and their families. This is a serious problem because many have no knowledge of the SCRA, or do not fully understand the protections it affords them. For those with questions, competent legal counsel well-versed in the SCRA is often not readily available. Those stationed close to large installations can seek assistance from local military attorneys – Judge Advocate Generals (JAGs) - but the families of many reserve and National Guard personnel who need SCRA protection live far from a military post or base.

This points to the need for financial institutions to share more responsibility for compliance with the SCRA, and for alerting military consumers to SCRA protections by means of notices contained in billing statements or foreclosure documentation. These institutions are in a position to incorporate safeguards into their loan programs that would preclude the assessment of interest rates in excess of the SCRA ceiling and foreclosures and evictions in violation of the SCRA. They are certainly in a better position to ensure compliance than military personnel serving in a combat zone, or their families.

With responsibility should come accountability. Failure by financial institutions to comply with the SCRA should result in penalties or fines that can be imposed without forcing servicemembers to resort to the courts – an often nightmarish option that consumes more money and time than they can afford. Recent cases of banks illegally foreclosing on the homes of deployed servicemembers and over-charging interest on their debts highlights the need for a serious reassessment of how best to ensure that military consumers are clearly aware of their SCRA protections, and how best to ensure that the law is fairly and promptly enforced.

I welcome your thoughts on steps that can be taken by Congress and Executive Agencies to improve upon the protections provided by the SCRA and to enhance compliance with and enforcement of its provisions. I look forward to your response and congratulate you on your appointment to the Consumer Financial Protection Bureau.

Sincerely,



Sherrod Brown
United States Senator