

**PREPARED STATEMENT OF THE FEDERAL TRADE COMMISSION  
VETERANS CONSUMER PROTECTION: PREVENTING FINANCIAL  
EXPLOITATION OF VETERANS AND THEIR BENEFITS**

**Before the  
COMMITTEE ON VETERANS' AFFAIRS  
UNITED STATES SENATE**

**WASHINGTON, D.C.**

**APRIL 19, 2023**

## I. INTRODUCTION

Chairman Tester, Ranking Member Moran, and distinguished members of the Committee, I am Monica Vaca, Deputy Director of the Bureau of Consumer Protection at the Federal Trade Commission (“Commission” or “FTC”).<sup>1</sup> I appreciate the opportunity to appear before you today to discuss fraud and other illegal practices that affect veterans and other members of the military community.

Combating scams and unlawful tactics aimed at the military community is an important part of the Commission’s law enforcement agenda. Every year the Commission brings dozens of cases against companies and individuals for violating consumer protection laws that the agency enforces. Many of these cases involve schemes perpetrated on the general public—such as imposter schemes, deceptive advertising, and false promises about jobs and earnings—that use tactics tailored to the military community as part of a broader fraudulent operation. Other cases address tactics, such as abusive debt collection and unscrupulous auto sales, that may have an outsized impact on military consumers. And some scams specifically target the military community, using false military affiliations or touting bogus offers for veterans in a cynical ploy to take advantage of servicemembers, veterans, and their families.

The Commission makes the most of the tools at its disposal in its efforts to curb such nefarious practices. This testimony gives a high-level overview of the FTC’s work to track and detect military fraud, of enforcement actions and rulemaking initiatives involving the military community, and of the FTC’s military-specific consumer education and outreach efforts. It also discusses our robust collaboration with our law enforcement partners, including the Department

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<sup>1</sup> This written statement presents the view of the Federal Trade Commission. The oral statement and responses to questions reflect my own views and do not necessarily reflect the views of the Commission or any Commissioner.

of Defense, the Consumer Financial Protection Bureau, the Department of Veterans Affairs, and institutions within the Armed Forces.

The Commission will continue to aggressively deploy the resources it has to stomp out unfair or deceptive practices, including those that prey on veterans, servicemembers, and their families. But our ability to get money back in the pockets of victims has been severely constrained as a result of the Supreme Court's decision,<sup>2</sup> which has been a devastating blow for honest businesses and consumers, including military consumers. The Commission continues to call for legislation to revive its ability to seek meaningful monetary relief under Section 13(b) of the FTC Act for consumers harmed by illegal conduct.

## **II. TRACKING AND DETECTING FRAUD THREATS**

The FTC's enforcement and outreach work often flow from the Commission's active monitoring of the marketplace, which allows us to understand, identify, and combat threats to both military consumers and the public at large.

One of our most powerful tools in obtaining information about fraud is the FTC's Consumer Sentinel Complaint Network, a secure online database of consumer reports. Sentinel includes complaints reported directly to the FTC as well as to dozens of state law enforcement organizations, other federal agencies, and non-governmental organizations.<sup>3</sup> Servicemembers and military civilians can provide service and installation details, giving vital information to government agencies, including Department of Defense law enforcers and policymakers.<sup>4</sup>

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, 141 S. Ct. 810, 593 U.S. \_\_ (2021).

<sup>3</sup> Contributors include the AARP Fraud Watch Network; the Better Business Bureau; the Consumer Financial Protection Bureau; the FBI's Internet Crime Complaint Center; the U.S. Departments of Defense, Education, Justice, and Veterans Affairs; and the U.S. Social Security Administration. A full list of the data contributors is available at <https://www.ftc.gov/enforcement/consumer-sentinel-network/data-contributors>.

<sup>4</sup> For example, out of the total reports from military consumers in 2022, 92% included military branch information and 78% included information about rank.

The Commission monitors and analyzes Sentinel data with respect to both military-specific and other trends. This work informs the Commission’s consumer protection work, assists our law enforcement partners, and provides public transparency about high-level complaint patterns. In 2020, the Commission launched a new tool that explores Sentinel data about problems military consumers are experiencing in the marketplace, including reported financial losses.<sup>5</sup>

In 2022, Sentinel received over 195,000 complaints from military consumers, including over 150,000 reports from veterans and military retirees.<sup>6</sup> The military community reported monetary harm of over \$414 million from fraud, an increase of more than 50% from the previous year.<sup>7</sup> The top complaint categories for military consumers were: imposter scams; identity theft; credit reporting; online shopping and negative online reviews; banks and lenders; debt collection; bogus investment schemes; scams involving prizes, sweepstakes and lotteries; credit cards; and auto-related problems.<sup>8</sup>

We review these complaints to find potential law enforcement targets and witnesses and to coordinate with federal, state, and local law enforcement partners.

### **III. ENFORCEMENT WORK**

FTC law enforcement actions illustrate some of the ways deceptive or unfair business practices harm veterans and the broader military community. Our actions have gone after individuals and companies that have targeted military consumers with false promises of earning

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<sup>5</sup> <https://public.tableau.com/app/profile/federal.trade.commission/viz/MilitaryReports/Infographic>.

<sup>6</sup> Consumer Sentinel Data Book, 2022, at 17, [https://www.ftc.gov/system/files/ftc\\_gov/pdf/CSN-Data-Book-2022.pdf](https://www.ftc.gov/system/files/ftc_gov/pdf/CSN-Data-Book-2022.pdf). Overall, the FTC received over 5.1 million complaints, with people reporting losses of nearly \$8.8 billion to fraud. at 4.

<sup>7</sup> This increase occurred even though the FTC received slightly more complaints from military consumers in 2021, reflecting a substantial increase in the average amount of reported monetary loss. Consumer Sentinel Data Book, 2022, n.6, at 17 Consumer Sentinel Data Book, 2021, at 17, <https://www.ftc.gov/reports/consumer-sentinel-network-data-book-2021>.

<sup>8</sup> Consumer Sentinel Data Book, 2022, n.6, at 18.

or investment opportunities, that have deployed deceptive claims and recruiting tactics regarding for-profit schools, that have engaged in illegal practices related to automobile purchases and credit products, and that set up sham charities to exploit the public’s desire to help those who have served. And we have achieved strong relief, shutting down frauds and obtaining substantial monetary judgments against firms that use illegal tactics.

While the FTC remains vigilant in combatting fraud and other unlawful business practices, we face difficult challenges ahead. Returning money to defrauded consumers has been a cornerstone of the FTC’s enforcement work. The Supreme Court’s decision in \_\_\_\_\_, which held that the FTC does not have the ability to obtain monetary relief pursuant to Section 13(b) of the FTC Act, dealt a massive blow to the Commission’s ability to obtain meaningful monetary relief for consumers who lost money to lawbreakers. Although the Commission has worked tremendously hard to use our other legal tools and authorities, the \_\_\_\_\_ decision has crippled the agency’s ability to move forward with claims seeking billions of dollars for affected consumers.

**A. Deceptive earnings and investment claims.**

Some companies target military consumers with military-specific discounts or offers to lure servicemembers and veterans into deceptive schemes. For instance, in February 2022, the FTC filed suit against fast-food chain BurgerIM, accusing the chain of targeting veterans with false promises while withholding information required by the Franchise Rule.<sup>9</sup> According to the complaint, the company touted veteran-specific discount programs to lure people into paying tens of thousands of dollars to purchase franchises. The FTC alleged that the company pitched the franchise opportunity as “a business in a box” that required little to no business experience, downplaying the complexity of owning and operating a restaurant, and it offered unfounded

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<sup>9</sup> Complaint, \_\_\_\_\_, No. 2:22-cv-00825 (C.D. Cal.), [https://www.ftc.gov/system/files/ftc\\_gov/pdf/2022.02.07\\_complaint\\_filed\\_002\\_0.pdf](https://www.ftc.gov/system/files/ftc_gov/pdf/2022.02.07_complaint_filed_002_0.pdf).

assurances that if a franchisee was unable to open a restaurant, the company would refund the franchise fee. Although BurgerIM pocketed tens of millions of dollars in such fees, the majority of the people who paid were never able to open restaurants.

In April 2022, the FTC sent out \$23 million in refunds arising out its action against MOBE Ltd. The Commission alleged that MOBE falsely claimed that its business education program would enable people to start their own online business and earn substantial income quickly and easily using a “proven” 21-step system.<sup>10</sup> Defendants eventually revealed that their “proven system” required selling the same memberships to others in the hopes of earning commissions, with many victims experiencing crippling losses or mounting debts. As part of the scheme, the defendants created and promoted the “Patriot Funnel System,” targeting veterans and servicemembers with military-specific online ads and social media posts. The \$23 million in refunds would not have been available under Section 13(b) if the Commission had brought the case after . Achieving similar results in future actions will be hindered by the Supreme Court’s decision.

The Commission is using the tools and authorities available to it to try to protect consumers injured by deceptive earnings claims. The Commission recently issued a Notice of Penalty Offenses concerning earnings claims,<sup>11</sup> which will permit the Commission to seek civil penalties for misleading earnings claims in some cases. This authority, however, does not provide a basis for the Commission to recover funds to return to injured consumers. In addition, Commission staff are continuing work on rulemaking efforts regarding earnings claims, including reviewing comments received in response to Advance Notices of Proposed

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<sup>10</sup> Complaint, , No. 6:180cv0862-ORL-37DCI (M.D. Fla.), [https://www.ftc.gov/system/files/documents/cases/mobe\\_complaint.pdf](https://www.ftc.gov/system/files/documents/cases/mobe_complaint.pdf).

<sup>11</sup> Penalty Offenses Concerning Multi-Making Opportunities (issued Oct. 2021), <https://www.ftc.gov/enforcement/penalty-offenses/money-making-opportunities>.

Rulemaking issued last year seeking comments on the Business Opportunities Rule and a possible rulemaking regarding deceptive or unfair earnings claims.<sup>12</sup>

**B. Deceptive educational recruitment tactics.**

The FTC has taken action against deceptive recruitment practices in the for-profit educational space. Higher education programs have historically sought to enroll veterans because of GI Bill educational benefits, including through predatory recruitment methods.<sup>13</sup> In 2021, following a \$191 million judgment against the University of Phoenix (“UOP”) that resolved allegations that the school used deceptive recruitment pitches, the Commission sent payments totaling nearly \$50 million to more than 147,000 students. In addition to the \$50 million distributed as redress, the settlement with UOP required it to cancel \$141 million in debts owed to the school by students harmed by its allegedly deceptive advertising. The FTC alleged that UOP used misleading advertisements, including ads that falsely claimed that UOP’s corporate partnerships with companies like AT&T and Allied Barton offered hiring programs for UOP students who were veterans.<sup>14</sup> As in MOBE, this relief would not have been available under Section 13(b) if the Commission had brought the case after . In another recent action, the Commission sued Saint James School of Medicine, a for-profit medical school in the Caribbean that allegedly used false guarantees of student success to lure consumers—including veterans—into enrolling in its program.<sup>15</sup>

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<sup>12</sup> Deceptive or Unfair Earnings Claims, 87 Fed. Reg. 13951 (Mar. 10, 2022); Business Opportunity Rule, 87 Fed. Reg. 72428 (Nov. 25, 2022).

<sup>13</sup> Through the so-called 90/10 rule, Congress capped the percentage of revenue that for-profit schools can earn from U.S. Department of Education programs at 90 percent. Since GI Bill benefits originally were not included in that cap, schools had strong incentives to target veterans. Congress closed this loophole in 2021, with the change taking effect in the beginning of 2023. 20 U.S.C. § 1094.

<sup>14</sup> Complaint, , No. 2:19-cv-05772-ESW (D. Ariz.), [https://www.ftc.gov/system/files/documents/cases/university\\_of\\_phoenix\\_ftc\\_v\\_uop\\_complaint\\_signed.pdf](https://www.ftc.gov/system/files/documents/cases/university_of_phoenix_ftc_v_uop_complaint_signed.pdf).

<sup>15</sup> Complaint, , No. 1:22-cv-1919 (N.D. Ill.), [https://www.ftc.gov/system/files/ftc\\_gov/pdf/DE%201%20-%20Complaint%204142022.pdf](https://www.ftc.gov/system/files/ftc_gov/pdf/DE%201%20-%20Complaint%204142022.pdf).

Often, illegal recruitment tactics start when their targets are still active duty servicemembers—and sometimes sooner. In *\_\_\_\_\_*, for example, the FTC’s complaint charged the defendants with impersonating the military to lure consumers interested in serving our country to enroll in their schools. According to the complaint, the defendants ran online ads—such as “Army.com: Enlist, Reenlist, Benefits” and “Join the U.S. Air Force: Contact a U.S. Air Force Recruiter!”—and employed websites including army.com, armyenlist.com, and navyenlist.com, even though they had no affiliation with the military.<sup>16</sup>



Although the defendants promised to use consumers’ information only for military recruitment purposes, they sold this information to for-profit schools. The defendants’ sales representatives also bombarded consumers with calls and texts in which the representatives identified themselves as being from “Military Verification” and solicited interest in “military friendly colleges.” And the defendants used the email addresses they collected under the guise of military

<sup>16</sup> Complaint, *\_\_\_\_\_*, No. 3:18-cv-01444-HNJ (N.D. Ala.), [https://www.ftc.gov/system/files/documents/cases/sunkey\\_filed\\_complaint.pdf](https://www.ftc.gov/system/files/documents/cases/sunkey_filed_complaint.pdf).



recruitment to advertise other products as well, including online dating, mortgages, credit services, and scholarships.<sup>17</sup>

The Commission followed up the action by going after an operator of for-profit schools that bought leads from Sunkey: Career Education Corporation (currently operating as Perdoceo Education Corporation). In June 2021, the FTC sent nearly \$30 million in consumer redress pursuant to a settlement with the defendants that also required the school to reform its lead generation practices to ensure compliance with the law.<sup>18</sup> This monetary relief, too, would not have been available under Section 13(b) had the Commission brought this case after .

The agency also participates in an ongoing working group led by the Department of Veterans Affairs (VA) to inform veterans how to avoid scams, particularly those related to veterans benefits, and regularly works closely with agencies within the VA to reach veterans. This includes partnerships with the Veterans Benefit Administration and the VA Privacy Service to develop webinars, blog posts, and social media about avoiding identity theft, spotting scams, and raising awareness of frauds targeting veterans who are applying for benefits. The FTC also continues to engage in information-sharing and other coordination with the VA to ensure veterans are not targeted with unfair or deceptive practices by for-profit schools.

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<sup>17</sup> The FTC has aggressively pursued the perpetrators of government impersonation scams. This past September, the FTC announced a notice of proposed rulemaking that would prohibit the impersonation of government, businesses, or their officials. FTC Press Release, “FTC Proposes New Rule To Combat Government and Business Impersonation Scams” (Sept. 15, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/09/ftc-proposes-new-rule-combat-government-business-impersonation-scams>. An informal hearing on the proposed rule will take place on May 4, 2023. FTC Press Release, “FTC To Hold Informal Hearing on Proposed Impersonation Rule” (Mar. 22, 2023), <https://www.ftc.gov/news-events/news/press-releases/2023/03/ftc-hold-informal-hearing-proposed-impersonation-rule>.

<sup>18</sup> FTC Press Release, “FTC Sends Nearly \$30 Million in Refunds to People Tricked into Enrolling by School Operator’s Lead Generators” (June 9, 2021), <https://www.ftc.gov/news-events/news/press-releases/2021/06/ftc-sends-nearly-30-million-refunds-people-tricked-enrolling-school-operators-lead-generators>.

### C. **Illegal auto-related and financing practices.**

Unlawful sales and financing tactics can have an outsized impact on military personnel and their families, for example, with respect to motor vehicle sales and financing. Buying a car is one of the largest financial decisions a person will ever make. Young servicemembers are an attractive target for unscrupulous auto dealers: Servicemembers have a steady paycheck but often no or minimal credit history, and a vehicle purchase may be their first big, complex financial transaction. We have heard from military representatives that recruits may have a tough time temporarily “turning off boot camp training,” which may make it less likely that they will ask questions and closely scrutinize offers presented to them. And, given the cost and length of financing agreements, deceptive auto sales can have serious consequences that last well beyond a servicemember’s military career.

In two 2017 public events on military consumer protection, representatives from the Armed Forces repeatedly emphasized that unscrupulous auto sales practices are a major source of concern.<sup>19</sup> Participants highlighted predatory practices including “payment packing” (slipping unwanted add-ons into a purchase agreement), bait-and-switch tactics, and extra fees.

Stopping these illegal tactics is a top priority for the FTC, and the agency has brought dozens of enforcement actions against dealers allegedly engaged in these types of practices.<sup>20</sup> In

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<sup>19</sup> Military Consumer Financial Workshop, Panel 1: Military Consumers’ Experience in Auto Purchase, Financing, and Leasing (San Antonio, Tex., July 19, 2017), <https://www.ftc.gov/news-events/events/2017/07/military-consumer-workshop>; Protecting Military Consumers: A Common Ground Conference (Los Angeles, Cal., Sept. 7, 2017), <https://www.ftc.gov/news-events/events/2017/09/protecting-military-consumers-common-ground-conference>. The Road Ahead: Selling, Financing & Leasing Motor Vehicles, Panel 1: Military Consumers and the Auto Sales and Financing Process (San Antonio, Tex., Aug. 2, 2011), <https://www.ftc.gov/news-events/events/2011/08/road-ahead-selling-financing-leasing-motor-vehicles/>; FTC, <https://www.ftc.gov/pressroom/2018/02/180202-ftc-relaying-panelists-descriptions-of-challenges-faced-by-servicemembers-in-auto-transactions-and-noting-some-cases-ftc-has-brought-to-address-alleged-unlawfulness-in-these-areas> at 2 (Feb. 2018) (relaying panelists’ descriptions of challenges faced by servicemembers in auto transactions and noting some cases FTC has brought to address alleged unlawfulness in these areas).

<sup>20</sup> FTC, [https://www.ftc.gov/system/files/ftc\\_gov/pdf/P204800%20Auto%20Rule%20NPRM.pdf](https://www.ftc.gov/system/files/ftc_gov/pdf/P204800%20Auto%20Rule%20NPRM.pdf) (June 23, 2022), at 12-22 (discussing auto industry issues and enforcement actions by FTC, CFPB, and states).

summer 2022, the Commission issued a notice of proposed rulemaking regarding motor vehicle dealers, drawing extensively on the FTC’s military consumer protection work in the auto space.<sup>21</sup> Among other things, the proposed rule would prohibit a number of misrepresentations that we understand are particular issues for servicemembers, such as whether vehicles can be moved across state lines or out of the country, whether and under what circumstances a vehicle may be repossessed, and whether the dealer or its products or services were endorsed by or associated with any government agency, including the Department of Defense or its military components.

The FTC is similarly committed to addressing other unfair or deceptive financing practices that affect servicemembers and veterans. Last summer, the Commission partnered with a group of 18 states to sue Harris Jewelry, a group of 19 retail stores and related entities, to stop the defendants from cheating military families with illegal financing and sales practices.<sup>22</sup> According to the complaint, the defendants enticed servicemembers by claiming that the defendants’ in-store financing plan would significantly improve servicemembers’ credit scores and lower the costs they pay to borrow in the future. The defendants had no reasonable basis for this claim, which was made without regard to the servicemembers’ credit history or potential future borrowing or payment actions. The complaint additionally alleged that the defendants would often add a “Protection Plan” to the financing agreement without the customers’ express informed consent, misrepresent that their protection plans were not optional or were required, and fail to provide disclosures required by the Truth in Lending Act and the Military Lending Act, among other violations of federal and state law.<sup>23</sup> The Commission and multistate group

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<sup>22</sup> FTC Press Release, “FTC and 18 States Sue to Stop Harris Jewelry from Cheating Military Families with Illegal Financial and Sales Tactics” (July 20, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/07/ftc-18-states-sue-stop-harris-jewelry-cheating-military-families-illegal-financing-sales-tactics>.

<sup>23</sup> In November 2022, the Commission joined the CFPB in filing an amicus brief in \_\_\_\_\_, No. 22-12217 (11th Cir.), arguing that a military consumer who alleged that he or she signed a contract that was void due to violations of the Military Lending Act has standing to sue in federal court.

obtained an order against the defendants prohibiting them from collecting millions in debt, requiring them to refund to consumers approximately \$10.9 million for purchased protection plans, to refund overpayments, and to complete their shutdown of operations and dissolution pursuant to applicable state laws, once they meet the obligations of the order.

Home purchases represent another major purchase for military personnel and civilians alike, and we have taken action to protect the military community in this area. For example, the FTC brought an action against one of the nation’s largest refinancers of veteran’s home loans, alleging that it made misleading claims directed at current and former servicemembers, including falsely implying a government affiliation.<sup>24</sup> According to the complaint, the defendants misrepresented the costs and potential savings of their refinancing services; implied that the loans they offered would come from Veterans Affairs or another government source; and falsely represented that low interest, fixed-rate mortgages were available at no cost. To resolve these allegations, the company agreed to pay a \$7.5 million civil penalty.<sup>25</sup>

Fraudulent schemes also target the end of the credit lifecycle, and the FTC has a long history of going after extortionist debt collectors. In our enforcement work, the Commission has brought actions that successfully shut down collectors that allegedly falsely threatened to take action under the Uniform Code of Justice against a servicemember who was the victim of

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<sup>24</sup> Complaint, \_\_\_\_\_, No. 8:13-cv-1647 (M.D. Fla.), <https://www.ftc.gov/sites/default/files/documents/cases/2013/06/130627mortgageinvestorscmpt.pdf>.

<sup>25</sup> The Commission also works to ensure that renters, including military consumers, are protected from illegal practices. This February, the Commission and the CFPB issued a joint request for information on the use of algorithms and other background screening methods in tenant screening. The request for information specifically asked whether tenant screening practices have unique impacts on military servicemembers.

(Feb. 28, 2023), [https://www.ftc.gov/system/files/ftc\\_gov/pdf/p235400\\_tenant\\_screening\\_rfi.pdf](https://www.ftc.gov/system/files/ftc_gov/pdf/p235400_tenant_screening_rfi.pdf).

identity theft, to disclose a purported debt to the consumer’s commanding officer, and to ruin a consumer’s military career.<sup>26</sup>

#### **D. Bogus military charities.**

Finally, some bad actors exploit the goodwill people have toward the Armed Forces to take advantage of the general public. For instance, in 2018, the Commission and partners in every state worked together on Operation Donate with Honor, an enforcement sweep involving more than 100 actions against bogus charities with names like “Help the Vets” and “Veterans of America.” The Commission has continued its vigorous enforcement in this area, obtaining orders in 2020 and 2021 in cases against sham charities using names such as “American Veterans Foundation” and “Saving Our Soldiers.”<sup>27</sup>

### **IV. EDUCATION AND OUTREACH**

In addition to the Commission’s law enforcement actions, education and outreach is a critical part of our consumer protection and fraud prevention work. The Commission’s education and outreach program reaches tens of millions of people a year, including through agency websites and social media presence. Recent online consumer alerts, for example, have covered imposter scams targeting veterans, businesses that charge to assist consumers filing claims for military benefits (even though help is free through the VA and affiliated organizations), and how veteran entrepreneurs can spot common scams that target small businesses.<sup>28</sup>

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<sup>26</sup> Complaint, \_\_\_\_\_, No. 15-cv-0672-JVS-DFM (C.D. Cal.), <https://www.ftc.gov/system/files/documents/cases/151104bamcmpt.pdf>; Complaint, No. 4:13-cv-00106 (S.D. Tex.), <https://www.ftc.gov/sites/default/files/documents/cases/2013/01/130131goldmanschwartzcmpt.pdf>.

<sup>27</sup> Complaint, \_\_\_\_\_, No. 1:20-cv-07505-MKV (S.D.N.Y.), [https://www.ftc.gov/system/files/documents/cases/182\\_3058\\_outreach\\_calling\\_-\\_complaint.pdf](https://www.ftc.gov/system/files/documents/cases/182_3058_outreach_calling_-_complaint.pdf).

<sup>28</sup> FTC Consumer Alert, “Imposter scams targeting veterans and servicemembers” (Nov. 16, 2022), <https://consumer.ftc.gov/consumer-alerts/2022/11/imposter-scams-targeting-veterans-and-servicemembers>; FTC Consumer Alert, “Veterans: Filing for benefits is free” (Oct. 26, 2022), <https://consumer.ftc.gov/consumer-alerts/2022/10/veterans-filing-benefits-free>; FTC Consumer Alert, “Veteran entrepreneurs: Spot the scams” (Nov. 2, 2022), <https://consumer.ftc.gov/consumer-alerts/2022/11/veteran-entrepreneurs-spot-scams>.

In 2013, the FTC created MilitaryConsumer.gov, a resource to inform servicemembers, veterans, their families, and the network of professionals that counsel them about fraud and other consumer issues affecting the Armed Forces. The same year, the FTC worked with the Department of Defense’s Office of Financial Readiness (DoD FinRed) and the Consumer Financial Protection Bureau’s Office of Servicemember Affairs to launch the first Military Consumer Protection Day—which was expanded in 2016 to a full month every year (July). For the past nine years, the FTC has coordinated with its partners on this initiative to create joint branding, coordinate messaging, and conduct virtual presentations, webinars, and Facebook Live events to reach the military and veterans communities. The Military Consumer network of partners includes federal and state agencies, military agencies, state attorneys general offices, military relief and support organizations, consumer advocacy groups, and military trade associations. FTC staff also participates in regular calls with DoD FinRed’s partner network as well as the quarterly calls hosted by the Military Family Financial Readiness Coalition.

One area of particular educational and outreach focus is identity theft. An FTC analysis of five years of Consumer Sentinel data suggests that active duty servicemembers experience highly disproportionate instances of theft from their financial accounts compared to the general population.<sup>29</sup> Identity theft is often carried out by an individual that the victim knows, and military consumers were twice as likely to report that the perpetrator was a family member or someone they knew.<sup>30</sup> It can also be the result of data breaches and lax data security policies.<sup>31</sup>

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<sup>29</sup> FTC Press Release, “Active Duty Servicemember are More likely to Report Identity Theft than Other Adults, New FTC Data Shows” (May 21, 2020), <https://www.ftc.gov/news-events/news/press-releases/2020/05/active-duty-servicemembers-are-more-likely-report-identity-theft-other-adults-new-ftc-data-shows>.

<sup>30</sup> Nearly 14% of the reports indicate that a family member or someone they knew stole their identity, compared to just 7% of other adults. Reports indicate that this often happens when people have access to important documents or financial records left behind during military reassignment.

<sup>31</sup> , FTC Press Release, “Security Beyond prevention: The Importance of Effective Breach Disclosures” (May 20, 2022), <https://www.ftc.gov/policy/advocacy-research/tech-at-ftc/2022/05/security-beyond-prevention-importance-effective-breach-disclosures>.

And identity theft feeds into many of the frauds discussed above, with active duty servicemembers reporting problems with credit bureaus at more than twice the rate of other adults, with reports indicating that many of these complaints emerged from underlying instances of identity theft.<sup>32</sup>

Privacy and data security has long been a major area of enforcement in the FTC's Division of Identity Protection and Privacy, with dozens of cases brought over the past two years.<sup>33</sup> The FTC complements this enforcement work through coordinating closely with the VA and other partners to develop and disseminate information about avoiding scams and recovering from identity theft. For instance, the FTC participates in a valuable ongoing initiative organized by the Executive Office of the President and Department of Veterans Affairs. This effort convenes these three stakeholders — along with representatives from the CFPB, the Department of State, the Department of Education, and others — to collaborate on outreach resources and activities to alert veterans and their families to evolving scams. Over the years, the FTC has also given dozens of webinars and presentations to veterans, many hosted by the VA's identity protection program and its economic development initiatives. For instance, in January 2023, FTC staff spoke at the VA's virtual program, Protecting PACT Act Benefits from Identity Theft Scammers.

As part of a celebration of Veterans Day in November 2022, FTC staff participated in a VA program for new veterans and servicemembers transitioning into civilian life in Mississippi to speak about avoiding scams and identity theft.<sup>34</sup> FTC staff spoke at similar events hosted by

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<sup>32</sup> In 2022, military consumers filed 25,803 complaints about credit bureaus, information furnishers, and report users (out of a total of 691,142). Consumer Sentinel Data Book 2022, n. 6, at 18.

<sup>33</sup> Cases, Privacy and Security Enforcement, <https://www.ftc.gov/news-events/topics/protecting-consumer-privacy-security/privacy-security-enforcement> (listing cases between 2020 and the present).

<sup>34</sup> One resource that the FTC regularly highlights is free electronic credit monitoring services for active-duty members, required under the FTC's military credit monitoring rule. (July 1, 2019), <https://www.federalregister.gov/documents/2019/07/01/2019-13598/military-credit-monitoring>.

VA for veterans in Northern California (part of Military Consumer Protection Month 2022) and in Baltimore (2021). In addition, beginning in fall 2022, the FTC has participated in an ongoing working group led by the VA to inform veterans how to avoid scams, particularly those related to veterans' benefits. To expand the FTC's reach to veterans, FTC staff has also worked with AARP and its Veterans & Military Families Initiative on programs for veterans about avoiding scams and identity theft.<sup>35</sup>

The FTC also participates in the American Bar Association's Legal Assistance for Military Personnel program, in which FTC staff coordinates on legal protections and issues related to servicemembers, veterans, and their families. Over time this has included leading trainings and webinars on a diverse array of federal consumer laws and regulations, including the Military Lending Act,<sup>36</sup> Electronic Fund Transfer Act, Equal Credit Opportunity Act, Truth in Lending Act, Consumer Leasing Act, Fair Credit Reporting Act, the Holder Rule, the Credit Practices Rule, the Used Car Rule, the Military Credit Monitoring Rule, and many others. These meetings and trainings have been held on bases around the country, with more recent events held remotely, particularly during the COVID-19 pandemic.

## **V. CONCLUSION**

The Commission will continue to take action to protect veterans and the broader military community from fraud and related threats. Combating these practices is an important part of the

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<sup>35</sup> Events included the following: the AARP Connecticut TeleTown Hall (May 2022), AARP Connecticut Virtual University (Nov. 2022), AARP Texas and FTC's Southwest Region webinar (Nov. 2022), AARP Facebook Live event to promote Identity Theft Awareness Week (Jan. 2023), and AARP Connecticut Virtual University (Feb. 2023). FTC staff also delivered a presentation about helping veterans avoid scams during the AARP-led panel at the annual conference of the International Association of Financial Crime Investigators (Sept. 2022).

<sup>36</sup> In addition to education and outreach efforts, the Commission regularly participates in the Department of Defense's interagency task force on the Military Lending Act, which brings together different federal agencies to address military lending topics.



FTC's consumer protection mission, and we will use every tool at our disposal to do so. We look forward to continuing to work with the Committee and Congress on these urgent issues.