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Aiming for Financial Protection

The House has passed the Military Personnel Financial Services Protection Act (HR 458) to shield service personnel and their families from questionable financial products and abusive sales practices, particularly on military installations.

The bill, approved 405-2 on June 28, is similar to a bill the House passed last year but that failed to gain Senate approval. A companion Senate bill (S 418) this year is before the Committee on Banking, Housing, and Urban Affairs, but it had only seven co-sponsors by late July.

The House measure would clarify regulatory oversight of financial products sold on base and would establish a Defense Department registry of banned agents to be made available to federal and state regulators.

Rep. Geoff Davis (R-Ky.) said he introduced the bill to address "a long history" of certain companies and their agents using abusive sales tactics to sell financial products of questionable value to service members.

The Pentagon, he said, has issued directives intended to prevent such abuses, but the sale of harmful insurance and investment products to service members continues for lack of effective communication between government agencies and confusion over regulatory jurisdiction.

Davis said that when he was a young Army officer, he was so impressed by an "infomercial-like presentation" on post that he bought into an investment plan involving insurance and mutual funds.

"It was not until I got out of the Army and into the business world that I discovered how uncompetitive these products were compared with other opportunities. ... I knew many soldiers who fell victim to such 'contractual plans.' ... I did not make the decision because I was a financial expert, because I was not; I made the decision because a retired service member, whom I respected, working as a salesman, presented this, and he was using referrals from other service members whom he convinced it was a good thing."

The bill would make clear that state insurance regulators have jurisdiction over insurance sales on military bases. It would ban the sale of contractual mutual funds and require that military personnel be informed of government life insurance programs and the military Thrift Savings Plan as part of any pitch to buy private life insurance. It would allow base commanders to ban unscrupulous agents and forward a list of banned agents to DOD where lists would be compiled and sent to state insurance departments for further investigation.

—Tom Philpott