



Department of Justice

STATEMENT FOR THE RECORD OF
THE DEPARTMENT OF JUSTICE

BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

FOR A HEARING ENTITLED
"VETERANS CONSUMER PROTECTION:
PREVENTING FINANCIAL EXPLOITATION OF VETERANS AND THEIR BENEFITS"

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Chairman Tester, Ranking Member Moran, and distinguished Members of the Committee, thank you for the opportunity to provide a statement on behalf of the Department of Justice ("Department") for this important hearing. The Department is proud to serve our nation's brave men and women in uniform who make great personal sacrifices in service to our country.

The Department's Servicemembers and Veterans Initiative

In 2014, the Department established the Servicemembers and Veterans Initiative ("SVI" or "Initiative") to support its critical enforcement efforts and work with other federal agencies to better serve the military community by sharing information, identifying servicemember and veteran needs, and coordinating the distribution of resources.

The primary purpose of this Initiative is to make it easier to use all available resources and legal authorities to support the military and veteran community. The Initiative seeks to better understand and address the legal challenges faced by servicemembers while on active duty, by veterans when returning to civilian life, and by their families when their loved ones are deployed. And it is designed to ensure that servicemembers and veterans fully understand their rights and know what to do when those rights are threatened or violated.

SVI also solicits and reviews public complaints regarding the civil rights concerns of servicemembers and veterans. It works to provide helpful information about the relevant legal protections and how to obtain further assistance. And, when appropriate, SVI refers matters for further investigation by the Department. Based on SVI's referrals, the Department has initiated several investigations and cases.

Over the past three years, the Initiative has expanded its efforts to support vulnerable servicemembers and veterans thanks to actions by Congress and the Attorney General. In 2020, Congress enacted the Servicemembers and Veterans Initiative Act, which established the Initiative within the Department's Civil Rights Division and expanded its mission and responsibilities. The Act directed SVI to promote policies to support servicemembers and veterans, liaise with military contacts, promote civil legal aid to the military community, and support the enforcement of federal laws to protect servicemembers and veterans. Importantly, it

codified SVI's role within the Department and renewed its resolve to not just continue, but also to enhance the Department's efforts to protect the civil rights of the military community.

In 2021, Attorney General Merrick B. Garland issued a memorandum on Veterans Day that renewed the Department's commitment to protecting the civil rights of servicemembers, veterans, and their families. This memorandum directs SVI to increase targeted outreach to servicemembers and veterans regarding their civil rights and access to civil legal aid. It also required SVI to establish a Coordinating Committee in the Department to share information and resources about servicemembers, veterans, and their families. The Committee meets regularly and has members from across the Department, including the Civil Rights Division, the Civil Division's Consumer Protection Branch, the Executive Office for United States Attorneys, the Office of Justice Programs, and the Office for Access to Justice.

Servicemember and Veteran Consumer Protection Enforcement Efforts

Criminal Enforcement by the Civil Division

The Consumer Protection Branch of the Department's Civil Division is the primary criminal enforcement component under SVI that prosecutes fraud and other consumer protection abuses perpetrated against servicemembers and veterans. It works with law enforcement agencies, such as the Defense Criminal Investigative Service, the Federal Bureau of Investigation, the Department of Veterans Affairs Office of Inspector General, and the U.S. Postal Inspection Service ("USPIS"), among others, to investigate schemes that target the brave men and women who protect America. The prosecutors at the Consumer Protection Branch bring criminal enforcement actions against predatory fraudsters seeking to steal veterans' benefits, deceptively peddle financial products, or sell dangerous products. Such schemes can have significant impact on servicemembers and their families because whenever a military member loses money to a fraudster or is subjected to unnecessary risks, that member's dependents often suffer hardship as well.

The Consumer Protection Branch prosecutors have relied, with great success, on several criminal statutes that carry robust penalties in addressing theft of veterans benefits and schemes to defraud servicemembers. These statutes include mail or wire fraud,¹ theft of government funds,² aggravated identity theft,³ access device fraud,⁴ and computer fraud,⁵ among a host of others. The following three cases are examples of military consumer protection cases successfully handled by the Branch, in partnership with various U.S. Attorney's Offices.

¹18 U.S.C. §§ 1341, 1343.

²18 U.S.C. § 641.

³18 U.S.C. § 1029A.

⁴18 U.S.C. § 1029.

⁵18 U.S.C. §1030.

First, the Consumer Protection Branch, along with the U.S. Attorney's Office for the District of South Carolina, recently prosecuted an individual for his role in a Ponzi scheme that exploited military veterans, some of whom had fallen on hard times financially. During the nearly 7-year long scheme, this fraudster and his co-conspirators caused more than \$310 million in losses to more than 25 hundred retirees and placed 13 thousand veterans into exploitative loans. In August 2022, the ringleader of this scheme was sentenced to 10 years in prison and ordered to forfeit \$297 million.

In another example, a group of thieves conspired to steal the personal identifying information of over 3,000 military members. This included the stealing of names, Social Security numbers, military identification numbers, dates of birth, and contact information, which resulted in \$1.5 million in losses. Victims included eight general officers, as well as numerous disabled veterans, who were targeted because of their receipt of greater service-related benefits. So far, two of the five indicted co-defendants in this scheme have been sentenced to 151 months and 46 months, respectively, and both were ordered to pay restitution totaling \$2.5 million. This case is being prosecuted by the Consumer Protection Branch and the U.S. Attorney's Office for the Western District of Texas.

In a final example, the Consumer Protection Branch worked with U.S. Attorney's Office for the District of Columbia, USPIS, and the Department of Homeland Security Investigations team to investigate and prosecute an individual who conspired to commit mail and wire fraud involving a Ponzi scheme and the fraudulent sale of purported N95 masks to the Department of Veterans Affairs during the height of the pandemic. The defendant obtained approximately \$7.4 million by falsely claiming to have the masks and offering to sell them to various medical companies, including a VA hospital. This individual was sentenced to 244 months in prison.

The Consumer Protection Branch also continues to diligently work with its law enforcement and United States Attorney's Office partners to investigate and develop a number of cases involving schemes targeting servicemembers and veterans to include misbranded supplements that harm Soldiers, MyPay account fraud, identity theft of military members, misused allotments, and AAFES fraud.

Civil Enforcement by the Civil Rights Division

The Department's Civil Rights Division is tasked with enforcing certain civil consumer rights for servicemembers and their dependents under the Servicemembers Civil Relief Act ("SCRA"). The SCRA's benefits and protections include: a six percent interest rate cap on financial obligations that were incurred prior to military service; the ability to postpone civil court proceedings; protections related to default judgments; protections related to residential and motor vehicle lease terminations; certain consumer contract terminations; and special requirements related to evictions, mortgage foreclosures, and repossessions.

Since 2011, the Civil Rights Division—often working with U.S. Attorney's Offices—has obtained over \$481 million in monetary relief for over 147,000 servicemembers through its

SCRA enforcement efforts. For example, in September 2022, the Civil Rights Division filed a lawsuit against GM Financial for violating the SCRA by illegally repossessing 71 servicemembers' vehicles and denying or mishandling over 1,000 vehicle lease termination requests from servicemembers. U.S. Army Chief Warrant Officer 3 ("CW3") Thomas Gorgeny was one of the affected servicemembers. He had leased a car from GM Financial while living in Austin, Texas. While there, he received deployment orders outside of the country and thus would not be able to use the vehicle. The SCRA allows servicemembers to terminate vehicle leases in these situations and prohibits lessors from charging fees related to those terminations.

CW3 Gorgeny followed all of SCRA's requirements to terminate his lease. However, while he was serving overseas, GM Financial sent him a bill for over \$15,000 for the remaining term of the lease. This caused CW3 Gorgeny significant stress during his deployment, when he needed to be focused on his military duties. Because of the Civil Rights Division's lawsuit, CW3 Gorgeny never had to pay that \$15,000 bill, and he received an additional payment of \$2,033 to cover his damages. Under the resolution, GM Financial also agreed to pay \$3.5 million to the other affected servicemembers, repair the servicemembers' credit, and provide SCRA training to its employees.

Servicemember and Veteran Consumer Protection Outreach Efforts

SVI, including the Civil Rights Division and the Civil Division's Consumer Protection Branch, routinely conducts outreach and training for military populations and the people who serve them, such as veterans' organizations, military training schools, military legal assistance offices, and law school clinics. It also provides extensive support and training to United States Attorney's Offices who are interested in developing a servicemembers and veterans practice in their own districts. The Assistant United States Attorneys who are trained by SVI are able to perform targeted outreach that is tailored to maximally benefit their local communities.

Much of this outreach is specifically focused on consumer protection and financial rights. Since the Initiative was established, it has provided over 100 of such outreach and training events specifically related to consumer protections and financial rights. This has included, for example: sessions at The Judge Advocate General's Legal Center and School's annual Legal Assistance Course; continuing legal education courses for the American Bar Association's Standing Committee on Legal Assistance for Military Personnel ("ABA-LAMP"); presentations at Yellow Ribbon events for military families; and trainings on military bases across the nation.

SVI is also engaged in robust collaboration efforts with federal, State, and non-governmental partners that work on strategies to better protect servicemembers, veterans, and their families. This work includes coordination with the Department of Defense, the Department of Veteran Affairs, the Consumer Financial Protection Bureau ("CFPB"), the Department of Labor, the Federal Trade Commission (FTC), the National Association of Attorneys General, and the ABA-LAMP Committee. The Initiative's engagement with these groups has greatly increased its visibility into broader issues facing the military community while having the mutual

benefit of giving non-enforcement entities direct access to the Department's criminal prosecution and civil enforcement resources.

For example, in 2021 and 2022, SVI released several joint letters with CFPB that were sent to 131 large landlords, mortgage servicers, and auto finance companies serving sizeable military bases that explained their obligations to comply with federal laws that protect servicemembers and veterans. It has also partnered with CFPB and FTC on events and outreach related to Military Consumer Month each July.

SVI is always looking for opportunities to expand its outreach to new partners and communities as part of the Initiative's ongoing efforts to serve the military and veteran populations. As part of these efforts, SVI will conduct its first training specifically for military financial professionals when it joins CFPB in giving a presentation on federal consumer protection rights and financial benefits for military families later this month. The Consumer Protection Branch is also planning to partner with the Department of Veterans Affairs Veteran Scam and Fraud Evasion integrated project team to address predatory practices targeting veterans and fraud against veterans.

The Department of Justice appreciates the opportunity to share information about its ongoing efforts to protect the rights of servicemembers, veterans, and their families. It welcomes any opportunity to work with the Committee to strengthen these protections and support servicemembers, veterans, and their families. The Department would also like to thank the Committee for their recent work on amendments to SCRA that support the financial stability of servicemembers and their families as they move around the country tirelessly defending our nation's freedoms.