

April 12, 2021

The Honorable Jerrold Nadler
Chairman
Committee on Judiciary
U.S. House of Representatives
Washington, DC 20515

The Honorable Jim Jordan
Ranking Member
Committee on Judiciary
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Nadler and Ranking Member Jordan:

On behalf of the American Financial Services Association (AFSA),¹ we are writing in opposition to H.R. 2196. While the bill is titled the Justice for Servicemembers Act, it would actually limit servicemembers ability to pursue justice. H.R. 2196 would prohibit pre-dispute arbitration agreements for certain disputes concerning servicemembers and veterans. Specifically, this bill prohibits the use of arbitration for any disputes covered by the Servicemembers Civil Relief Act (SCRA) and the Uniformed Services Employment and Reemployment Rights Act (USERRA).

Arbitration is already governed by the Federal Arbitration Act and has been approved by the Supreme Court, which recognized arbitration as a fair and effective mode of settling disputes between borrowers and creditors. In fact, the American Arbitration Association (AAA), the country's largest arbitration provider, imposes stringent rules in consumer arbitration cases to ensure fairness and maintain arbitrator independence. Cases are not accepted if they fail to meet these standards.

The only beneficiaries to the elimination of arbitration clauses are trial lawyers who benefit directly from class action litigation, often to the detriment of consumers. In 2015, the Consumer Financial Protection Bureau's (CFPB) study on class action suits showed that their average duration were 23 months for completion, consumer compensation averaged \$32, and consumers received nothing in 9 out of 10 cases. Meanwhile, total attorneys' fees averaged more than \$1 million per case with attorneys receiving 21% of the cash awards and some as high as 63%.

In comparison, the arbitration decisions studied by the CFPB revealed that these cases were decided on average in five months, consumers were awarded an average of \$5,389, and consumer costs were limited to a \$200 filing fee.

AFSA respectfully requests your opposition to this legislation, which would limit meaningful, timely, and low-cost dispute resolutions options for servicemembers. We appreciate your attention to these matters. If you have any questions, please feel free to contact me at cwinslow@afsamail.org or 202-776-7300.

Sincerely,

A handwritten signature in cursive script that reads "Celia Winslow".

Celia Winslow
Senior Vice President
American Financial Services Association

¹ Founded in 1916, AFSA is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance.