



FOR IMMEDIATE RELEASE

**FOUNDATION STUDY SHOWS MILITARY PERSONNEL PAID
COMPARABLY TO CIVILIAN COUNTERPARTS,
NEED ACCESS TO COMPARABLE CREDIT**

WASHINGTON – April 27, 2006 — Consumer Credit Research Foundation today released a study showing that enlisted military personnel earn incomes comparable to those of their civilian counterparts, and that their needs for short-term credit are likewise comparable to the credit needs of middle-class civilians.

The study, authored by Profs. William O. Brown, Jr. of The University of North Carolina – Greensboro and Charles B. Cushman, Jr. of The George Washington University, examines the latest Department of Defense pay data and demographics. Their principal conclusions are as follows:

- While military basic pay is often lower than civilian base pay, the effective income of enlisted personnel is similar (and often superior) to that of their private sector counterparts when allowances, tax benefits, supplemental compensation and subsidized purchasing programs are taken into consideration. When deferred compensation and non-cash benefits are included, military effective economic incomes can considerably outstrip civilian incomes for comparable jobs.
- Enlisted personnel tend to be young and at a stage in life when households are acquiring durable goods. Enlisted personnel likely have little in the way of precautionary savings and are unable to supplement their incomes with overtime and second jobs. Military spouses often have limited access to employment. These factors contribute to the need for access to credit. Military incomes tend to be stable, however, and can be applied in part to the repayment of borrowings.
- There is no principled reason for limiting the access of enlisted personnel to short-term credit. There exist no data from which it can reasonably be concluded that military personnel should be denied access to any form of credit that is available to civilians. There is a demand for a variety of credit products, and intense competition allows for such products to be offered at low cost and with flexible options for military consumers.
- The financial literacy of enlisted personnel should be improved for them to shop effectively for and use consumer credit. Misunderstanding and poor planning appear to be the root of most personal financial problems. Existing data do not support a conclusion that limiting credit availability or choices will improve the economic welfare of enlisted servicemembers.

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- Effective shopping for credit services requires that the cost and terms of credit be fully and fairly disclosed. While most “brick-and-mortar” lenders fully and correctly disclose the cost of credit, many Internet lenders do not. Likewise, the full cost of banks’ overdraft-protection services may not be obvious to consumers of these services.

"Due to their age and stage of life, enlisted members of the military are likely to face short-term financial constraints; but restricting the access of military personnel to short-term credit products that are freely available to civilians is not likely to prove helpful," said Dr. Brown. "The real solutions are better financial education and ensuring access to a wide range of financial products for military personnel on a competitive basis."

"Increased ability to understand the features, costs and benefits of various short-term credit products is fundamental to good decision-making by military consumers," said Dr. Cushman. "It is important that enlisted personnel and their superiors improve their financial literacy."

“Compensation and Short-Term Credit Needs of U.S. Military Enlisted Personnel” is available from the Foundation’s web site at www.consumercreditresearchfoundation.org. Profs. Brown and Cushman are available to be interviewed in connection with this study.

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Consumer Credit Research Foundation was formed to foster economic research into the availability, choice and cost of consumer credit for middle-income Americans and to apprise the public of such research.