



Highlights of [GAO-06-494](#), a report to congressional requesters

## Why GAO Did This Study

As part of the Committee on Government Reform's continuing focus on pay and financial issues affecting Army soldiers deployed in the Global War on Terrorism (GWOT), the requesters were concerned that battle-injured soldiers were not only battling the broken military pay system, but faced blemishes on their credit reports and pursuit by collection agencies from referrals of their Army debts. GAO was asked to determine (1) the extent of debt of separated battle-injured soldiers and deceased Army soldiers who served in the GWOT, (2) the impact of DOD debt collection action on separated battle-injured and deceased soldiers and their families, and (3) ways that Congress could make the process for collecting these debts more soldier friendly.

## What GAO Recommends

DOD concurred with GAO's report. Matters that Congress should consider to make debt relief more soldier friendly include strengthening the DOD's authority to provide uniform debt relief to injured GWOT soldiers and exempting these soldiers from credit bureau reporting and private collection agency and tax refund offset actions.

[www.gao.gov/cgi-bin/getrpt?GAO-06-494](http://www.gao.gov/cgi-bin/getrpt?GAO-06-494).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory D. Kutz at (202) 512-7455 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

## MILITARY PAY

# Hundreds of Battle-Injured GWOT Soldiers Have Struggled to Resolve Military Debts

## What GAO Found

Pay problems rooted in the complex, cumbersome processes used to pay Army soldiers from their initial mobilization through active duty deployment to demobilization have generated military debts. As of September 30, 2005, nearly 1,300 separated Army GWOT soldiers who were injured or killed during combat in Iraq and Afghanistan had incurred over \$1.5 million in military debt, including almost 900 battle-injured soldiers with debts of \$1.2 million and about 400 soldiers who died in combat with debts of \$300,000. As a policy, DOD does not pursue collection of debts of soldiers who were killed in combat. However, hundreds of battle-injured soldiers experienced collection action on their debts. The extent of these debts may be greater due to incomplete reporting. GAO's case studies of 19 battle-injured soldiers showed that collection action on military debts resulted in significant hardships to these soldiers and their families. For example, 16 of the 19 soldiers were unable to pay their basic household expenses; 4 soldiers were unable to obtain loans to purchase a car or house or meet other needs; and 8 soldiers' debts were offset against their income tax refunds. In addition, 16 of the 19 case study soldiers had their debts reported to credit bureaus and 9 soldiers were contacted by private collection agencies. The table below illustrates the experience of 4 case study soldiers.

**Case Study Examples of the Impact of Injured Soldier Pay Problems Resulting in Debt**

Soldier	Injury	Debt	Impact of Debt on Soldier and Family
Army Reserve Staff Sgt.	Lost right leg below the knee.	\$2,231	This soldier spent 1-1/2 years on disputes and appeals before multiple debts and errors were resolved. Army debt, the only blot on the soldier's credit report, prevented him from obtaining a loan to purchase a house.
National Guard Staff Sgt.	Brain damage and post traumatic stress.	\$12,662	Failure to record this soldier's separation in the pay system resulted in forfeiture of 3-month's pay while the Army attempted to recover his debt. As a result, the soldier's utilities were turned off and his family was separated.
Active Army Staff Sgt.	Paralyzed from the waist down.	\$14,959	This soldier received a reduced paycheck or no net pay during the last 4 months he was in the Army. He separated from the Army in January 2005 and his debt was not resolved until February 2006.
Army Reserve Specialist	Inoperable shrapnel in knee.	\$1,575	This soldier was erroneously listed as absent without leave (AWOL) when she was actually being treated for her war injury. The AWOL error caused a pay-related debt. The soldier was unable to get a \$500 loan to pay off her credit card balance due to Army debt on her credit report.

Source: GAO analysis.

Due to concerns about soldier indebtedness resulting from pay-related problems during deployments, Congress recently gave the Service Secretaries authority to cancel some GWOT soldier debts. Because of restrictions in the law, debts of injured soldiers who separated at different times can be treated differently. For example, soldiers who separated more than 1 year ago are not eligible for debt relief and soldiers who paid their debts are not eligible for refunds. Further, because this authority expires in December 2007, injured soldiers and their families could face bad credit reports, visits from collection agents, and tax refund offsets in the future.