

# The Military Lending Act (MLA)

## Latest News and Considerations to Get Compliant

Congress passed the Military Lending Act (MLA) in 2006 with bipartisan support to provide specific protections for active duty service members and their dependents in consumer credit transactions. The Department of Defense (DOD) published a [Final Rule](#) in July 2015 to amend its regulation implementing

the MLA, significantly expanding the scope of the existing protections. The new rule became effective on October 1, 2015, and compliance is required by October 3, 2016. Compliance, however, with the rules for credit cards is delayed until October 3, 2017.

### MILITARY BY THE NUMBERS

**1.46  
MILLION**

active personnel  
in the US military<sup>i</sup>



**1.1  
MILLION**

active reserve personnel  
in the US military<sup>ii</sup>



**2  
MILLION**

military children  
in the US<sup>iii</sup>



**49.6  
PERCENT**

of enlisted personnel  
are aged 25 years or  
younger<sup>iv</sup>



**86.8  
PERCENT**

of enlisted members are  
stationed in the US and  
US territories<sup>v</sup>



### What You Should Know

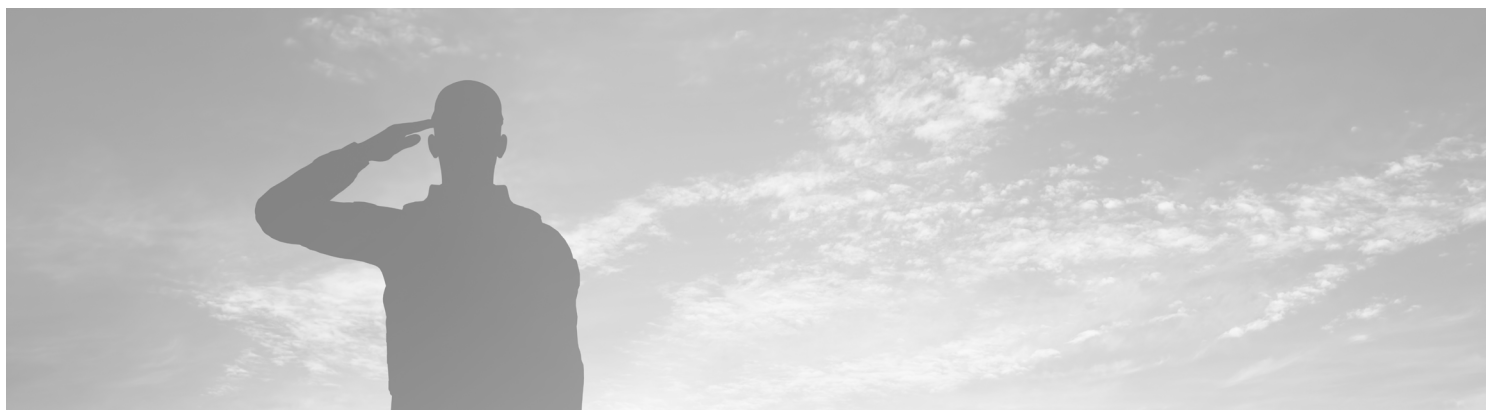
This new rule addresses a range of credit products that previously was outside the scope of the regulation. It now encompasses new types of creditors and credit products, including credit cards.

### Loans Covered Under the MLA include:

- Certain payday loans
- Vehicle title loans
- Tax Refund Anticipation Loans (RALs)
- Deposit advance loans
- Unsecured open-end lines of credit
- Credit cards (Effective October 2017)

### Who is a “covered borrower?”

- A covered borrower is an individual serving on active duty in the military, or that individual's spouse or dependents.



THEN:	NOW:
<p>As initially implemented in 2007, the law:</p> <ul style="list-style-type: none"> <li>• Limited the APR (including fees) for covered products to 36 percent;</li> <li>• Required military-specific disclosures, and;</li> <li>• Prohibited creditors from requiring a service member to submit to arbitration in the event of a dispute.</li> </ul> <p>It initially applied to three narrowly-defined “consumer credit” products:</p> <ul style="list-style-type: none"> <li>• Closed-end payday loans;</li> <li>• Closed-end auto title loans; and</li> <li>• Closed-end tax refund anticipation loans.</li> </ul>	<p>As of October 2016, enhancements will include:</p> <ul style="list-style-type: none"> <li>• <b>A broader definition of “consumer credit,”</b> now encompassing any credit extended to a “covered borrower” for personal, family or household purposes that is subject to a finance charge or is payable by written agreement in more than four installments. Exemptions include loans to purchase or refinance a home, home equity lines of credit and auto finance loans where the loans is secured by the vehicle.</li> <li>• <b>The addition of fees paid “for a credit-related ancillary product sold in connection with the credit transaction.”</b> Although the MAPR limit is 36 percent, ancillary product fees can add up and — especially for accounts that carry a low balance — can quickly exceed the MAPR limit.</li> <li>• <b>Verifying active duty status and dependents.</b> Under the new DOD rule, creditors are granted a safe harbor if they use the MLA database maintained by the DOD or consumer reports from a nationwide consumer credit reporting agency to verify the borrower’s status and comply with the recordkeeping requirements. Creditors are allowed to rely on the initial “covered borrower” check for up to 60 days after a firm offer of credit is extended to the borrower.</li> </ul>

## How Experian Can Help

Experian has been meeting with the DOD to discuss providing the bureau access to its MLA database. Key parties, such as the Financial Services Roundtable and the American Bankers Association, are also working to ease implementation of the safe harbor check for banks and lenders. The end goal is to enable lenders the ability to verify whether an applicant is covered by MLA by the Oct. 1, 2016 compliance date.

If you have inquiries about the new MLA regulations, email [MLA.Support@experian.com](mailto:MLA.Support@experian.com) or contact your Experian Account Executive directly.

<sup>i</sup> <http://us-military-branches.insidegov.com/app-question/443/How-many-people-are-there-in-the-US-military>

<sup>ii</sup> [http://www.globalfirepower.com/country-military-strength-detail.asp?country\\_id=united-states-of-america](http://www.globalfirepower.com/country-military-strength-detail.asp?country_id=united-states-of-america)

<sup>iii</sup> <http://www.nctsn.org/resources/public-awareness/month-military-child>

<sup>iv</sup> <http://download.militaryonesource.mil/12038/MOS/Reports/2014-Demographics-Report.pdf>

<sup>v</sup> <http://download.militaryonesource.mil/12038/MOS/Reports/2014-Demographics-Report.pdf>

