

Top 5 questions financial institutions are asking about MLA

1 What is the difference between the Servicemembers Civil Relief Act (SCRA) and the Military Lending Act (MLA)?

Both regulations are designed to protect U.S. service members and their families, but each focus on different areas.

SCRA has been around for decades and was designed to temporarily suspend judicial and administrative proceedings and transactions that may adversely affect service members during their actual military service. In fact, if a service member has a debt before he or she joined the active military service, they can have the interest rate reduced to 6 percent, upon request. If the loan is a mortgage, that rate can also be reduced for the duration the member is in the military, plus one year. Other loans are only reduced for the duration the member is on active duty.

MLA, on the other hand, is focused solely on providing specific protections for active duty service members and their dependents in certain consumer credit transactions. It was introduced in 2007, but strengthened in 2015. Specifically, it limits APR to 36 percent on covered products, which was recently expanded to include closed-end payday loans, closed-end auto title loans and closed-end tax refund anticipation loans. Unlike SCRA, where the responsibility to activate these protections falls on the service member, MLA requires creditors to verify active duty status and dependents at origination.

2 Will Experian offer a “covered borrower status” on the report?

Experian is actively building a solution which will output the MLA Covered Borrower Status on the credit report.

3 Explain the difference between accessing MLA status directly versus indirectly.

The Final Rule permits a creditor to use information obtained directly from the Department of Defense’s Database. Information can also be obtained from a [nationwide consumer reporting agency](#) to determine whether a consumer applicant is a covered borrower. When working with Experian, the one-stop solution will entail outputting the MLA indicator on the credit report at point of origination. We anticipate this solution will be available in fall 2016.

4 Will you return the MLA indicator if the credit report cannot be provided?

If a customer has a “no hit” (no credit report provided) , and the required personal identifying information is provided, it is still possible to return the MLA Covered Borrower indicator.

5 Does a creditor have a permissible purpose to request a covered borrower check for a product that is not covered by the MLA?

How MLA data will apply to specific products and use cases is still pending and reliant on further clarification from the Department of Defense (DOD). Ultimately, MLA data will only be accessible via approved purpose types, which drives product applicability.

