

## WHAT PEOPLE ARE SAYING: THE MLA FINAL RULE July 2015

### Department of Defense moves to protect servicemembers and their families from payday lenders and other abusive creditors

In late July 2015, the Obama Administration and the Department of Defense issued a **strong new rule** to close loopholes in the Military Lending Act, a critical military financial protection designed to prevent payday and other high-cost, abusive lenders from targeting servicemembers and their families – putting their security clearance and careers at risk.

In 2006, Congress passed the Military Lending Act which established a 36 percent interest and fee cap to loans made to servicemembers and their families. The 2007 rule implementing the MLA applied this rate cap to a small number of loan types, such as payday loans of 91 days or less and auto title loans of 181 day or less. The 2007 rule also exempted payday and auto title loans structured as open-end credit. By extending the term or restructuring the loan as open-end credit, lenders have continued to target more than one out of every ten active-duty servicemembers with high-cost credit.

The final rule closed these loopholes and by:

- Applying market-wide to all high-cost credit products that target service members, including payday, auto title and installment loans that were excluded from the 2007 protections;
- Capping interest and add-on fees at 36 percent for loans issued to service members and their dependents;
- Preserving service members' access to the courts by prohibiting mandatory arbitration agreements;

Below is a summary of the statements of support issued in response to the release of these new protections:

**“...some of the worst abusers, like payday lenders, are exploiting loopholes to trap our troops in a vicious cycle of crushing debt. So today we’re taking a new step. The DOD is closing those loopholes so we can protect our men and women in uniform from these predatory lenders.”**

President Barack Obama  
(<http://bit.ly/1fjWDzy>)

**"With this action, the department takes an important stand against companies that can prey on our men and women in uniform. This new rule addresses a range of credit products that previously escaped the scope of the regulation, compromising the financial readiness of our troops."**

Bob Work, Deputy Secretary of Defense  
(<http://militari.ly/1MEZXjM>)

**"This is a significant win for our troops and their families. Predatory lending is a threat to military readiness and therefore our national security, and frankly these commonsense protections are long overdue"**

Senator Jack Reed (Rhode Island) - Ranking Member, Senate Armed Services Committee  
(<http://bit.ly/1TNJpue>)

**“This is a tremendous step forward to protect our Servicemembers from financial predators,” said Duckworth. “Those who work every day to defend our nation deserve the strongest protections our government can provide and this will rule will prove just that.”**

Rep. Tammy Duckworth  
(<http://1.usa.gov/1g9PAe1>)

**"Predatory lenders are undermining the strength of our military by threatening the economic future of our servicemembers," Senator Durbin said. "I am glad to see the Department of Defense take action today to better protect military families from exploitation and unfair lending practices-- it's the right thing to do.**

Senator Dick Durbin (Illinois), Assistant Majority Leader  
(<http://1.usa.gov/1TQ42G3>)

**“For too long, payday lenders and shadowy financial operators in Ohio have dodged consumer protections, including safeguards for servicemembers and their families. These critical new protections will crack down on predatory and deceptive lending practices that target military families with outrageous interest rates and often trap them in a lifetime of debt.”**

Senator Sherrod Brown (Ohio), Ranking Member, Senate Banking, Housing, and Urban Affairs Committee

**"These new rules will give more protections to servicemembers and their families who are targeted by unscrupulous lenders. They broaden the types of consumer credit covered under the MLA and close loopholes that lenders were using to exploit our military families."**

Senator Al Franken (MN)  
(<http://1.usa.gov/1DyTZvT>)

**“When I drive down the strip outside a military installation and count 20 fast-cash lenders in less than 4 miles, that’s not a convenience, that’s a problem. I commend Secretary Carter for taking this important step to make the Military Lending Act more effective.”**

Holly Petraeus, Assistant Director of Servicemember, Affairs Consumer Financial Protection Bureau  
(<http://1.usa.gov/1TQ7Ua6>)

**“For too long, lenders have put an unacceptable strain on military families though high-cost loans”**

Jeff Zients - White House National Economic Council Director  
(<http://militari.ly/1MEZXjM>)

**“The Defense Department’s revised rule implementing the Military Lending Act is a major victory for members of our nation’s military – and for the credit unions that serve military families at home and abroad.”**

Debbie Matz, Chairman – National Credit Union Administration  
(<http://bit.ly/1TPZoYG>)

**“Our men and women in uniform deserve to be protected from harmful financial practices and today’s rules are a significant step forward.”**

Congressman Mark Takai (Hawaii)  
(<http://1.usa.gov/1eghGCf>)

### **Statements of support from state and national consumer groups**

Consumer Federation of America	<a href="http://bit.ly/MLArule_CFA">http://bit.ly/MLArule_CFA</a>
Center for Responsible Lending	<a href="http://bit.ly/MLArule_CRL">http://bit.ly/MLArule_CRL</a>
Center for American Progress	<a href="http://bit.ly/MLArule_CAP">http://bit.ly/MLArule_CAP</a>
National People’s Action	<a href="http://bit.ly/MLArule_NPA">http://bit.ly/MLArule_NPA</a>
National Association of Consumer Advocates	<a href="http://bit.ly/MLArule_NACA">http://bit.ly/MLArule_NACA</a>
National Consumer Law Center	<a href="http://bit.ly/MLArule_NCLC">http://bit.ly/MLArule_NCLC</a>
Americans for Financial Reform	<a href="http://bit.ly/MLArule_AFR">http://bit.ly/MLArule_AFR</a>
The Bell Policy Center	<a href="http://bit.ly/MLArule_Bell">http://bit.ly/MLArule_Bell</a>
California Reinvestment Coalition	<a href="http://bit.ly/MLArule_CRC">http://bit.ly/MLArule_CRC</a>
Center for Economic Integrity	<a href="http://bit.ly/MLArule_CEI">http://bit.ly/MLArule_CEI</a>
Citizen Action/Illinois	<a href="http://bit.ly/MLArule_CAI">http://bit.ly/MLArule_CAI</a>
Georgia Watch	<a href="http://bit.ly/MLArule_GAwatch">http://bit.ly/MLArule_GAwatch</a>
Maine Center for Economic Policy	<a href="http://bit.ly/MLArule_MECEP">http://bit.ly/MLArule_MECEP</a>
Ohio Poverty Law Center	<a href="http://bit.ly/MLArule_OHPLC">http://bit.ly/MLArule_OHPLC</a>
Reinvestment Partners	<a href="http://bit.ly/MLArule_RP">http://bit.ly/MLArule_RP</a>