

Military Lending Act– Applicability flow chart

The Military Lending Act (MLA), 10 U.S.C. § 987, as implemented by 32 CFR Part 232, protects active duty members of the military (including National Guard and reserves on active duty for 30 days or longer) and their dependents from certain lending practices.

Important MLA Protections

- A 36% interest cap, or Military Annual Percentage Rate (MAPR)
- Prohibits mandatory arbitration
- No mandatory pay-by-allotment
- No mandatory bank account access
- No waiver of federal/state legal rights under other laws (e.g., SCRA)
- No unreasonable notice as a condition for legal action
- No prohibiting prepayment and no prepayment penalties
- No rolling over or refinancing of many loans

Loans covered by MLA

- Payday loans
- Tax refund anticipation loans
- Vehicle title loans

- Credit cards
- Unsecured loans
- Some installment loans
- Student loans

Loans not covered by MLA

- Loans expressly intended to finance a vehicle that are secured by the vehicle
- Loans expressly intended to finance the purchase of personal property that are secured by the property
- Home mortgages, home equity loans or lines of credit, reverse mortgages

What is the difference between the MLA and the SCRA?

Both of these federal laws provide protections for servicemembers and sometimes their dependents, but be careful not to confuse the two with one another. The MLA only covers loans taken out while on active duty, while the Servicemembers Civil Relief Act (SCRA) provides a different set of protections for obligations entered into prior to when a servicemember joins active duty. Most notably, the SCRA caps interest rate charges including late and other transaction fees to six percent (6%). Click [here](#) to learn more about the SCRA.

Military Lending Act – Applicability flow chart (continued)

This flow chart is intended for practitioners to assist covered borrowers in understanding what types of consumer credit may or may not be covered by the MLA.

Was the borrower on active duty or a dependent of an active duty servicemember at the date of the transaction or opening of the account?

The MLA only applies to covered borrowers, defined as active duty servicemembers and their covered dependents. The MLA also applies to Active National Guard and Reserve members as defined in 10 U.S.C. 101(d)(6).

Yes

No

Is the credit primarily for a personal, family, or household purpose?

The MLA does not apply to credit that is to be used primarily for a business, commercial, or agricultural purpose.

Yes

No

Does the transaction include a finance charge or is it payable in more than four installments?

The MLA only applies to consumer credit that is: (a) subject to a finance charge; or (b) payable by a written agreement in more than four installments.

Yes

No

Is the credit a residential mortgage for purchase, construction, or refinance; a reverse mortgage; or a home equity loan or home equity line of credit?

The MLA does not apply to residential mortgage transactions, regardless of whether the covered borrower lives in the home.

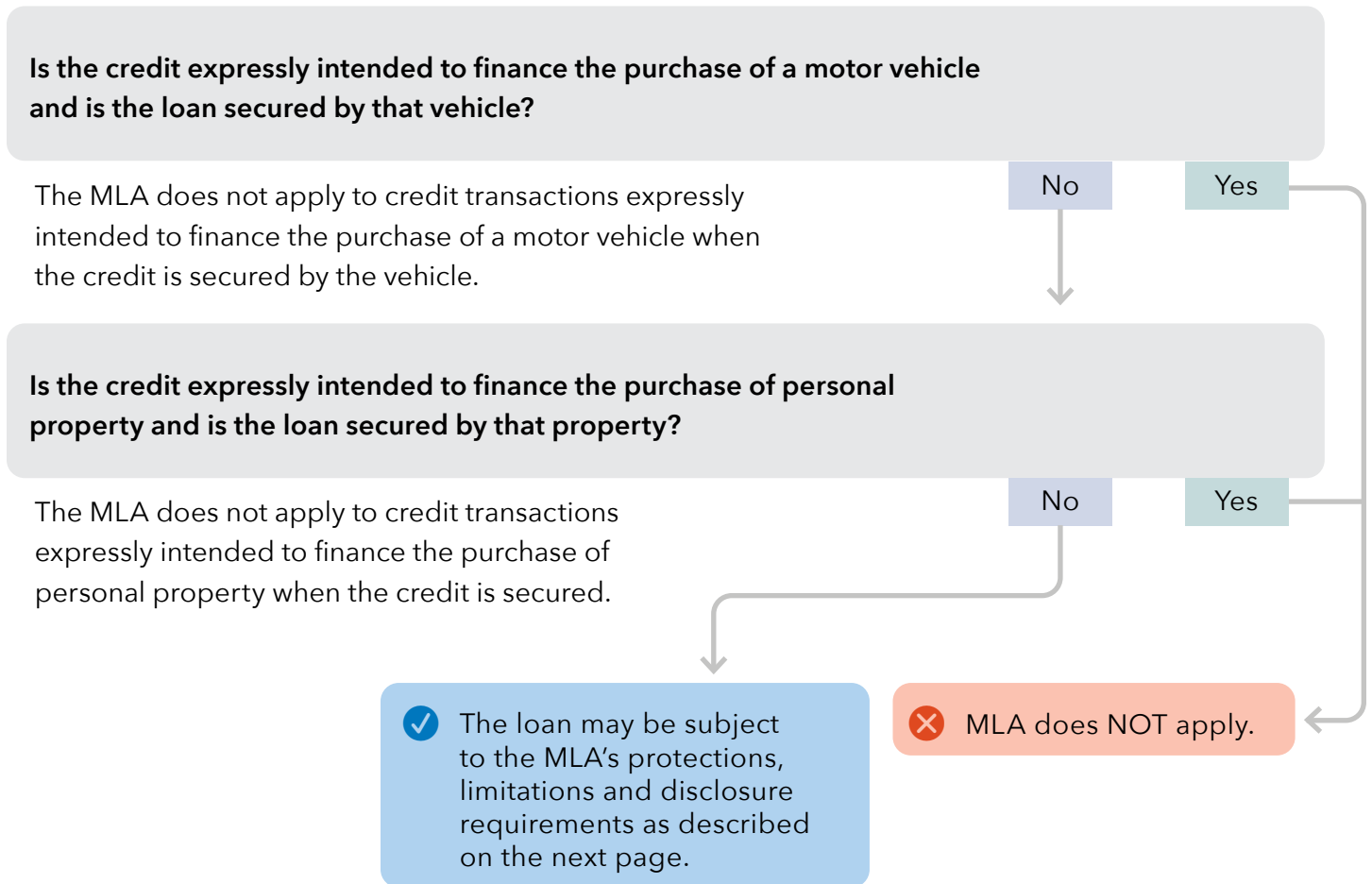
No

Yes

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✗ MLA does NOT apply.

Military Lending Act – Applicability flow chart (continued)



Military Lending Act – Checklist for violations

This checklist accounts for many of the MLA's requirements, although there are others not noted here.

Is the APR above 36%?

If the APR is above 36%, then the MLA's Military Annual Percentage Rate (MAPR) may also exceed 36% since it includes additional costs not necessarily included in the APR calculation. The MAPR includes costs such as:

- Finance charges or other charges;
- Credit insurance premiums;
- Add-on credit-related products sold in connection with the credit;
- Fees like application fees, participation fees, or fees for debt cancellation contracts, with some exceptions.

Is there a pre-payment penalty?

A creditor can't prohibit prepayment or charge a penalty for paying the loan back early – in part or in full.

Is there a forced arbitration clause?

A creditor can't require mandatory arbitration or a waiver of rights under State or Federal laws, including the Servicemembers Civil Relief Act (SCRA).


Is there a mandatory allotment?


A creditor can't require a military allotment in order to get the loan.

Submit a complaint

If you are having an issue with a consumer financial product or service, you can submit a complaint to the Consumer Financial Protection Bureau. We'll work to get you a response from the company. Here are some ways you can submit a complaint.

 **Online**
consumerfinance.gov/complaint

 **By phone (180+ languages)**
M-F, 8 a.m. - 8 p.m. ET
(855) 411-CFPB (2372)
(855) 729-CFPB (2372) TTY/TDD

 **By mail**
Consumer Financial Protection Bureau
P.O. Box 27170
Washington, DC 20038