



OFFICE OF THE JUDGE ADVOCATE GENERAL **LEGAL ASSISTANCE POLICY DIVISION**



THE MILITARY LENDING ACT

The Military Lending Act (MLA), 10 USC 987, is a federal law that protects active duty servicemembers, servicemembers on active Guard or Reserve duty, and their dependents from predatory lending practices regarding certain types of loans and credit cards.

Who is covered under the MLA: The MLA protects “covered members” (borrowers). Those covered are:

- 1) Active duty servicemembers;
- 2) Servicemembers on active Guard or Reserve duty;
- 3) Servicemembers “called to duty” for more than 30 days;
- 4) Dependents, defined under 10 USC 1072 i:
 - Spouses and children under age 21;
 - Children under age 23 enrolled full-time at an approved institution of higher learning that are dependent on the servicemember for over one half of their support;
 - Children of any age incapable of self-support due to mental or physical incapacity that are dependent on the servicemember for over one half of their support.

Does the MLA apply to my loan?

The MLA applies only to credit or loans for personal, family, or household use made at the time you are on active duty. Credit or loans taken out before you entered into active-duty service are not protected under the MLA.

The MLA covers credit transactions and loans like:

- Credit cards;
- Payday loans;
- Tax refund anticipation loans;
- Vehicle title loans;
- Private student loans;
- Federal student loans not made under Title IV of the Higher Education Act.
 - These are rare – many federal student loans are Title IV loans, like Pell Grants, Direct Loans, and Work Study Loans.

The MLA does not apply to:

- Business loans;
- Home mortgages;
- Vehicle loans.

What are my rights under the MLA?

36% interest cap- You (or your dependents) cannot be charged more than a 36% Military Annual Percentage Rate (MAPR), which includes cost like the following in calculating your interest rate:

- Finance charges;
- Credit insurance premiums and;
- Add-on credit-related products sold in connection with the credit;
- Application fees
- Participation fess
- Debt cancellation contract fees;
- Debt suspension agreement fees.

Mandatory loan disclosures - Upon extending credit or a loan, the creditor must provide a statement of the MAPR both orally and in writing. They should provide the statement to you before or at the time you take out the loan. The creditor must also provide a description of your obligations (i.e., what you owe) both verbally and in writing.

No mandatory allotments- The creditor cannot require you to set up an allotment.

No access to bank accounts- The creditor generally cannot use a check or other method to access your deposit, savings, or other financial accounts. However, there are some exceptions – for example, the creditor may require electronic fund transfers.

No prohibition on prepayment and no prepayment penalties- The creditor cannot prohibit or penalize you if you choose to pay off your loans early.

No mandatory arbitration- Because arbitration agreements may prevent you from suing the creditor for damages, the creditor cannot require you to submit to arbitration in case of a dispute involving the loan.

Certain creditors may not use title of vehicle as security- To secure a loan, only licensed banks and credit unions can hold the title to your vehicle. This means most payday lenders cannot hold title to your vehicle in exchange for a loan.

If your loan does not comply with the MLA and you are a covered borrower, the creditor cannot give you the loan by law. Any contract you signed with that creditor is void (i.e., you are not bound by the terms of the contract). The creditor may be subject to federal criminal charges for violations of the MLA and may be civilly liable to you for damages that result from intentionally violating the MLA. Creditors may verify that you are a covered borrower by conducting a search in the DOD database (<https://mla.dmdc.osd.mil/mla/>) or by using a consumer credit reporting service.

If you feel your rights as a servicemember or eligible dependent have been violated, you may submit a complaint to the Consumer Financial Protection Bureau (CFPB) at <https://www.consumerfinance.gov/complaint/>.

For more information on the Military Lending Act, contact your local legal assistance office to speak with an attorney. If you are in immediate need of emergency financial assistance, please contact your local ACS and review the financial assistance programs offered at <https://www.armyemergencyrelief.org/assistance/>.

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