

# The Military Lending Act (“MLA”)

## Detailing Recent Updates to the MLA That Affect Lending Policies



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# APPLICABILITY

**The MLA applies to extensions of “consumer credit” to “borrowers” and their dependents.**

# ANNUAL PERCENTAGE RATES

**Military Annual Percentage Rates (MAPRs) may not exceed 36%.**

# ANNUAL PERCENTAGE RATES

**MAPRs are calculated based on whether the credit is defined as closed-end or open-end credit.**

# ANNUAL PERCENTAGE RATES

**Lenders and insured depository institutions are permitted to exclude an application fee when making a short-term, small amount loan.**

# ANNUAL PERCENTAGE RATES

**Bona fide fees do not need to be included in the MAPR calculation for credit card accounts under open-end consumer credit plans.**

# IDENTIFYING A COVERED BORROWER

**Lenders are permitted to use their own methods to determine whether a consumer is a covered borrower.**

# IDENTIFYING A COVERED BORROWER

**Lenders may obtain safe harbor protection only by searching the Military Lending Act website or obtaining a credit report from a nationwide CRA.**



# IDENTIFYING A COVERED BORROWER

**Lenders must comply with record keeping requirements.**

# IDENTIFYING A COVERED BORROWER

**Lenders can only rely on an initial determination of the status of the consumer (*i.e.* whether the consumer is a covered borrower) in 3 situations.**

# DISCLOSURES

**A lender must disclose certain information to a covered borrower before or when he or she becomes obligated on the transaction or establishes an account.**

# DISCLOSURES

**The MAPR statement and description of the payment obligation must be disclosed both in writing and orally. An oral disclosure may be made in person or by a toll-free number.**

# DISCLOSURES

**For a multiple-creditor transaction, only one creditor must provide the required disclosures.**

# DISCLOSURES

**32 C.F.R. § 232.6(c)(3) provides a model disclosure statement that lenders may use.**

## TAKE-AWAY POINTS FOR LENDERS

**The MLA now covers substantially more transactions than it did when it was initially enacted, so lenders must ensure they have an adequate compliance system for the newly included transactions.**

# TAKE-AWAY POINTS FOR LENDERS

**Lenders should utilize one of two provided methods to determine whether the individual is a “covered borrower.”**



# TAKE-AWAY POINTS FOR LENDERS

**Lenders should use the model disclosure statement language to avoid any inadvertent drafting errors.**

## TAKE-AWAY POINTS FOR LENDERS

**Lenders must check all existing policies and procedures to ensure they are updated based on the recent expansion of the MLA.**

# Thanks!

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