



**PERSONAL FINANCE**  
Military Families Learning Network

**Military Consumer Protection Awareness**

*Thanks for joining us! We will get started soon.  
While you're waiting you can get handouts etc. by following the link below:*

<http://militaryfamilieslearningnetwork.org/event/21098>

U.S. DEPARTMENT OF DEFENSE  

This material is based upon work supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, and the Office of Military Family Readiness Policy, U.S. Department of Defense under Award Number 2015-48770-24368.

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**MILITARY FAMILIES LEARNING NETWORK**

Connecting military family service providers and Cooperative Extension professionals to research and to each other through engaging online learning opportunities

<http://militaryfamilieslearningnetwork.org>

Sign up for webinar email notifications at [militaryfamilies.extension.org/webinars](http://militaryfamilies.extension.org/webinars)

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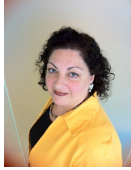
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 **Today's Presenters**

**Andrew Cohen**  
 Director, Office of Financial Readiness at Office of the Deputy Assistant Secretary of Defense for Force Education and Training. As Director, he leads the Financial Readiness team in the planning, direction, control, and coordination of policies and programs to meet the financial literacy and preparedness needs of Service members and their families.



**Carol Kando-Pineda**  
 Counsel in the Federal Trade Commission's Division of Consumer and Business Education where she leads teams to create and distribute free online articles, social media content, print publications, and videos to help people spot scams and manage their money. She heads up the Military Consumer initiative as well as outreach to consumers through public libraries.




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 **OFFICE OF FINANCIAL READINESS**  
*Financially Secure, Mission Ready*

**Military Lending Act (MLA)**

**July 17, 2018**

**Mr. Andrew Cohen**




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**Protecting Service Members from Financial Problems** 

Financial literacy/preparedness is a multi-approach effort:

- **Educating Service members**
  - Services provide financial literacy and counseling across various career and life event touchpoints (10 USC §992)
  - Supplemented by other Federal departments and agencies, non-profits, and other stakeholders
- **Ensuring adequate credit alternatives are available**
  - Support from the Relief Societies
  - Innovative solutions from banks and credit unions
- **Statutory controls that support education and alternatives**
  - General consumer protection regulations
  - Uniform service focused protections – MLA and SCRA

The MLA is just one resource in DoD's overall Financial Readiness efforts

 **OFFICE OF FINANCIAL READINESS**  
*Financially Secure, Mission Ready*

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## DoD MLA Objectives

- Protect Service members and families from high-cost and other unfair credit practices that may threaten personnel readiness and ultimately mission readiness
- Maintain Service member access to fair credit:
  - Fair credit is viewed through the lens of credit terms
  - Fair credit in the MLA: Cost not to exceed 36% Military Annual Percentage Rate (MAPR), required disclosures, no prohibited practices
- Focus on the terms of credit and not the offeror
- Work with industry, regulators, financial educators/counselors, legal assistance community, and other stakeholders to educate and protect Service members and families

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## MLA Overview

- The Military Lending Act (MLA) is a consumer protection law passed by Congress to protect Service and family members from predatory lending practices
- The MLA helps support overall military readiness by protecting Service members from the impacts of being trapped in a debt cycle.
- There is Congressional interest due to the need to protect Service members and overall readiness while addressing financial industry concerns.
- The 2013 Act Amendment and 2015 MLA implementing regulation extended Service member protections by expanding the types of credit covered and strengthening enforcement provisions to close a number of loopholes.

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## MLA Scope

- The MLA applies to creditors who provide "consumer credit" as defined in the MLA Rule (July 2015):
  - Defined as "credit offered or extended to a **covered borrower**\* primarily for personal, family, or household purposes, and that is: (i) Subject to a finance charge; or (ii) Payable by a written agreement in more than four installments."
- By statute, the MLA does not apply to:
  - Residential mortgages
  - Vehicle loans when loans secured by the vehicle purchased\*\*
  - Personal Property loans when secured by the property purchased\*\*

\* **Covered borrower** – A service member on active duty, to include Guard and Reserve members on active duty in excess of 30 days, and their dependents.  
 \*\* **Hybrid Loans**. In the Department's view, these exceptions do not apply if the loan finances additional "cash out" for items not expressly related to the item being purchased.

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## MLA Rule – August 2007

- Congress passed the MLA in 2006 to protect active-duty Service members and their families from predatory lending.
- Key provisions:
  - 36 percent limit on finance charges and fees
  - Service members self-identify military status to lenders for MLA protection
- Since the Department had only 180 days to prescribe regulations, the initial rule focus on highest threat products and applied to closed end:
  - Payday loans capped at \$2,000 and a 91-day term
  - Auto title loans with terms of 181 days or fewer
  - Tax refund anticipation loans

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## MLA Rule - July 2015

- DoD amended MLA regulations to close loopholes and incorporate Congressional amendments – FY2013 NDAA
- Expanded the term “consumer credit” to generally align with the Truth in Lending Act effective October 1, 2015
  - October 3, 2016 compliance date - except credit cards
  - October 3, 2017 compliance date – for credit cards
- Key provisions:
  - Limits on finance and other charges
  - Lender determines borrower’s military status for MLA protections
  - Streamlined Mandatory Disclosures
  - Streamlined Prohibited Practices
  - Increased enforcement and private right action (civil action)

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## MLA Protections

- MLA protections:
  - Limits cost of credit a lender can impose not to exceed 36% Military Annual Percentage (MAPR)
    - MAPR includes cost of ancillary credit products such as a credit life insurance and other debt cancellation products
  - Requires mandatory loan disclosures
  - Prohibits certain practices as a condition of extending credit, to include:
    - Mandatory arbitration
    - Difficult contract provisions
    - Using a military pay allotment to secure a loan
    - Waiving rights under the Servicemember Civil Relief Act
    - Charging a penalty for early payments
    - Using a post-dated check to secure a loan
    - Refinancing of certain loans – payday loans
    - Use of bank accounts or car titles to secure certain other loans

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## MLA Penalties and Remedies

- Misdemeanor. Fine or imprisonment for not more than one year, or both.
- Preservation of other remedies. The remedies and rights are in addition to and do not preclude any remedy otherwise available.
- Contract voidance. Any credit agreement, promissory note is void from the inception of the contract.
- Arbitration. No agreement to arbitrate shall be enforceable (notwithstanding 9 U.S.C. 2, or any other Federal or State law, rule, or regulation).
- Civil liabilities –
  - Any actual damage sustained as a result, but not less than \$500 for each violation;
  - Appropriate punitive damages;
  - Appropriate equitable or declaratory relief; and
  - Any other relief provided by law.

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## MLA Key Event Timeline

- 2006 Original Act passed by Congress
- 2007 Implementing Rule published by the Department
- 2013 Congress amends the MLA
- 2013 (June) Advanced Notice of Proposed Rulemaking
  - Interagency consultations
- 2014 (September) Notice of Proposed Rulemaking
  - Interagency consultations
  - 90 day public comment period
  - Meetings with Industry
- 2015 (July) Publication of amended Final Rule
  - Industry feedback
- 2016 (August) Publication of Interpretive Rule
  - Meetings with Industry
- 2016 (October 3) Initial MLA Compliance Date
  - Interagency consultations
  - Meetings with Industry
- 2017 (October 3) Credit Card Compliance Date
- 2017 (December) Publication of 2<sup>nd</sup> (Amended) Interpretive Rule
- 2018 (Summer) Publication of 3<sup>rd</sup> (Amended) Interpretive Rule

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## DoD Responsibilities

- 10 USC § 987 requires the Secretary of Defense to prescribe regulations in consultation with:
  - Consumer Financial Protection Bureau
  - Department of Treasury
  - Federal Deposit Insurance Corporation
  - Federal Reserve Board
  - Federal Trade Commission
  - National Credit Union Administration
  - Office of the Comptroller of the Currency
- Consult not less than every two years thereafter with the departments and agencies listed above
- Rulemaking process includes defining key terms in accordance with 10 USC § 987 and serving as the source of interpretive guidance
- Monitor the effects of MLA implementation

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## Creditor Responsibilities

- Offer credit that complies with the rule; or
- Satisfy their need for compliance by identifying if the borrower is a covered borrower:
  - Creditor is granted a safe harbor if they use the DMDC database or one of the credit reporting agencies
  - Creditor can use their own system to verify whether a client is a covered borrower

Note: The borrower is not required to self-identify or affirm status for the creditor

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## Questions?

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## CONTACT INFORMATION

Mr. Andy Cohen  
Director, Financial Readiness  
Office of the Deputy Assistant Secretary of Defense  
(Force Education & Training)  
[andrew.h.cohen.civ@mail.mil](mailto:andrew.h.cohen.civ@mail.mil)

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**MILITARY CONSUMER**  
YOUR TOOL FOR FINANCIAL READINESS

**Servicemembers Civil Relief Act  
Highlights**

Carol Kando-Pineda  
Staff Attorney  
Federal Trade Commission  
[ckando@ftc.gov](mailto:ckando@ftc.gov)

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**MILITARY CONSUMER**  
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**Purpose of the law**

To ease legal and financial  
burdens of active duty

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**MILITARY CONSUMER**  
YOUR TOOL FOR FINANCIAL READINESS

**Who is covered?**

- Army, Air Force, Coast Guard, Marines,  
Navy on active duty
- Reservists
- National Guard/Air National Guard,  
activate for duty
- certain others

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**MILITARY CONSUMER**  
YOUR TOOL FOR FINANCIAL READINESS

**Who enforces?**

- Must first seek help through military legal assistance
- If legal assistance can't resolve, they may refer to US Department of Justice

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**MILITARY CONSUMER**  
YOUR TOOL FOR FINANCIAL READINESS

**Legal protections from default judgments**

- complicated – see legal assistance
- civil cases only (NOT criminal!)
- can request postponement for at least 90 days
- can request default judgment set aside

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**MILITARY CONSUMER**  
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**6% cap on interest rates**

- credit card, mortgage, loan
- before active duty
- reduced rate while on active duty

Must show active duty

- “materially affects” your ability to pay

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**Credit rating protection**

- lenders can't deny/revoke credit because you invoke SCRA protections

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*YOUR TOOL FOR FINANCIAL READINESS*

**Protection against non-judicial foreclosure of their homes**

- if purchased before going into active duty service

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**Protection against eviction**

- depending on amount of rent, landlord must get court order
- can request delay of 90 days

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**Protections against repossession**

- if lease began before active duty
- includes vehicles and residential property
- must give written notice to landlord

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**Right to terminate housing and automobile leases if:**

- signed before entering the service or
- when PCS orders arrive

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**Right to terminate car/truck lease if:**

- active duty for at least 180 days or more after signing lease
- PCS outside the US
- deployed for at least 180 days

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**Right to reinstate insurance**

- if cancelled while on active duty, can be reinstated
  - without loss of benefits
  - no waiting periods or penalties
  - deadlines to request reinstatement vary

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**MILITARY CONSUMER**  
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**Right to terminate cell phone contract**

- if you're relocated
  - for 90 or more days
  - to a place that doesn't support your contract

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**SCRA rights may be waived but with some limitations**

- contracts, leases and mortgages: all modifications, terminations/cancellations require written waiver
  - effective only if
    - executed during or after the relevant period of military service
    - in at least 12 point font
    - the waiver is its own document

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 YOUR TOOL FOR FINANCIAL READINESS

**SCRA resources**

Department of Justice  
<https://www.justice.gov/servicemembers/servicemembers-civil-relief-act-skra>

Department of Defense – getting certificates of service:  
<https://skra.dmdc.osd.mil/skra/#/home>

Consumer Financial Protection Bureau Fact Sheet  
[file:///C:/Users/ckando/AppData/Local/Temp/1/cfpb\\_servicemembers-civil-relief-act\\_factsheet.pdf](file:///C:/Users/ckando/AppData/Local/Temp/1/cfpb_servicemembers-civil-relief-act_factsheet.pdf)

American Bar Association  
[https://www.americanbar.org/portals/public\\_resources/aba\\_home\\_front/information\\_center/servicemembers\\_civil\\_relief\\_act.html](https://www.americanbar.org/portals/public_resources/aba_home_front/information_center/servicemembers_civil_relief_act.html)

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**MILITARY CONSUMER**  
 YOUR TOOL FOR FINANCIAL READINESS

**MilitaryConsumer.gov**

 Military Consumer

 @MilConsumer



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 **PERSONAL FINANCE**  
 Military Families Learning Network

*Connect with MFLN Personal Finance Online!*

 MFLN Personal Finance

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**Evaluation and Continuing Education Credits/Certificate**

**MFLN Personal Finance is offering 1.5 credit hours for today's webinar.**

**Please complete the evaluation and post-test at:**  
[https://vte.co1.qualtrics.com/jfe/form/SV\\_dpanfF7CsGE4UZ](https://vte.co1.qualtrics.com/jfe/form/SV_dpanfF7CsGE4UZ)

Must pass post-test with an 80% or higher to receive certificate.

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**Upcoming Personal Finance Event**

**Family Finances Series: Financial Planning for Life Events**

- Tuesday, August 28, 11 a.m.-12:30 p.m. ET
- Location: [militaryfamilieslearningnetwork.org/event/20234](http://militaryfamilieslearningnetwork.org/event/20234)

For more information on MFLN Personal Finance go to:  
[militaryfamilieslearningnetwork.org/personal-finance/](http://militaryfamilieslearningnetwork.org/personal-finance/)



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**SAVE THE DATE!**



VIRTUAL CONFERENCE      SEPTEMBER 18 - 20, 2018

[militaryfamilieslearningnetwork.org/2018VirtualConference](http://militaryfamilieslearningnetwork.org/2018VirtualConference)

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## MILITARY FAMILIES LEARNING NETWORK

**Find all upcoming and recorded webinars covering:**

Personal Finance	Family Transitions
Military Caregiving	Network Literacy
Family Development	Nutrition & Wellness
Community Capacity Building	

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