Department of Defense Proposed Rule
Summary of Changes to the Military Lending Act

“This proposed regulation, in conjunction with the important efforts of our military service organizations and advocates, veteran service organizations, and responsible lenders, would help ensure that our service members and their families are as far beyond the reach of financial exploitation as possible.”

*Department of Defense, Press Release, September 26, 2014*

Today, the Department of Defense released proposed rules to further protect service members and their families from predatory lending practices. Below is a summary of the changes. For more information or to speak with an expert, contact Catherine An at [catherine.an@responsiblelending.org](mailto:catherine.an@responsiblelending.org) or 202-349-1878.

<table>
<thead>
<tr>
<th>Old MLA Rule</th>
<th>Proposed MLA Rule</th>
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</table>
| Payday/Car Title Loans | - Limited to loans less than $2000  
- Limited to loans 91 days or fewer  
- Did not apply to “open-ended” loans (e.g. lines of credit) | - No limits on size of loan  
- No limit on duration of loan  
- Applies to loans that are open-ended, without fixed repayment schedules (including lines of credit)  
- Ensures payday and car title lenders cannot structure as “installment” loans to evade rules. |

<table>
<thead>
<tr>
<th>Installment Lending</th>
<th>- Did not apply</th>
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| Proposed MLA Rule | - Includes installment loans  
- Includes credit insurance products in the calculation of APR |

<table>
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<tr>
<th>Credit Cards</th>
<th>- Did not apply</th>
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| Proposed MLA Rule | - Includes credit cards  
- Allows for “reasonable and customary” fees (e.g. annual fees, foreign transaction fees)  
- Credit insurance or debt cancellation fees would be included in the 36% rate cap |

<table>
<thead>
<tr>
<th>Overdraft</th>
<th>- Did not apply</th>
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| Proposed MLA Rule | - Excludes overdraft fees when it’s a *per transaction* fee  
- Includes overdraft fees when it’s a *line of credit* |

**Additional Protections**

- Proposed rule prohibits the use of arbitration agreements in credit contracts.
- Proposed rule prohibits “onerous” legal provisions designed to hinder rule enforcement.
- Proposed rule expands protection to credit cards, installment loans, and other credit.
- Proposed rule prohibits refinance loans where a new loan is used to pay the balance owed on an existing loan.
- Proposed rule prohibits lenders from requiring a check, authorization to withdraw money from the borrower’s bank account, direct deposit of a paycheck, or security interest in a future paycheck to secure a loan.
- No prepayment penalties.