

***ADVOCACY SUBMITS COMMENTS ON THE DEPARTMENT OF DEFENSE'S  
PROPOSED RULEMAKING ON LIMITATIONS ON TERMS OF CONSUMER CREDIT  
EXTENDED TO SERVICE MEMBERS AND DEPENDENTS***

On December 18, 2014, the Office of Advocacy of the U.S. Small Business Administration (Advocacy) submitted a comment letter to the Department of Defense on the proposed rule on the *Limitations on Terms of Consumer Credit Extended to Service Members and Dependents*. The proposed changes implement portions of the Military Lending Act. A copy of Advocacy's comments can be found [here](#).

- The MLA rule provides protections to a consumer who is a service member or the dependent of a service member at the time he or she becomes obligated on certain types of consumer credit transactions. It limits interest to 36 percent, prohibits arbitration and prepayment penalties, and requires delivery of special disclosures before consummation of the transaction.
- Currently, the Military Lending Act (MLA) rule covers only three types of consumer credit: closed-end payday loans with a term of 91 days or fewer in which the amount financed does not exceed \$2,000; closed-end vehicle title loans with a term of 181 days or fewer, and closed-end tax refund anticipation loans.
- The proposed rule extends protections of the MLA to a broader range of products. It would limit interest charged to service members and their dependents on all payday loans, vehicle title loans, refund anticipation loans, deposit advance loans, installment loans, unsecured open-end lines of credit, and credit cards. It would also require creditors to screen all applicants against a DoD database before offering such products with rates greater than 36 percent in order to be eligible for a safe harbor.
- The DoD prepared a certification in lieu of an initial regulatory flexibility analysis (IRFA). Advocacy expressed concerns about the factual basis for the certification. Advocacy encouraged DoD to determine the number of small entities that would be impacted by the proposal and the nature of the economic impact to determine whether an IRFA was necessary or provide information for a stronger factual basis if a certification was appropriate.
- To mitigate the economic impact on small entities, Advocacy recommended that small entities be allowed to continue to operate under a safe harbor that requires service members and their dependents to self-identify.

For more information, visit Advocacy's webpage at [www.sba.gov/advocacy](http://www.sba.gov/advocacy) or contact Jennifer Smith at 202-205-6943.