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Provide Feedback

Military Lending Act (10 U.S.C. § 987)

Under the Military Lending Act (MLA), a “covered member” is someone who, at the time he or she enters into the contract or agreement for credit, is a member of the armed forces who is serving on -

- (i) Active duty pursuant to Title 10, Title 14, or Title 32, United States Code, under a call or order that does not specify a period of 30 days or fewer;
- (ii) Active Guard and Reserve duty, as that term is defined in 10 U.S.C. 101(d)(6);
or
- (iii) Is a dependent, as defined by 10 U.S.C. 1072(2), of servicemember that falls into category (i) or (ii).

Covered members are protected under the MLA in the following ways:

- A 36 percent Annual Percentage Rate limit placed on debt. This cap, which is referred to as the Military Annual Percentage Rate or MAPR, covers all interest and fees associated with the loan. This limit includes charges for most ancillary “add-on” products such as credit default insurance and debt suspension plans. *See* 32 CFR 232.4.
- The MLA prohibits creditors from requiring covered members to:
 - submit to mandatory arbitration and onerous legal notice requirements;
 - agree to prepayment penalty fees or prohibitions on prepayment of the credit;
 - waive their rights under the Service Members’ Civil Relief Act (SCRA) (though covered members may still elect to waive);
 - provide a payroll allotment as a condition of obtaining credit (other than from relief societies);
 - secure credit using a post-dated check, access to a bank account (other than at an interest rate of less than 36 percent MAPR), or a car title (other than with a bank, savings association, or credit union); or
 - refinance payday loans with new loans. *See* 32 CFR 232.8.

The definitions of credit in the MLA rules bring any closed or open-end loan within the scope of the regulation, to include all payday loans, vehicle title loans, refund anticipation loans, deposit advance loans, installment loans, and credit cards extended to service members.

*** Residential mortgages and purchase-money loans (to buy items like vehicles) are excluded from the MLA's definition of "consumer credit." *See* 32 CFR 232.3. When purchasing a vehicle on credit, pay attention to the exact language of the agreement. A creditor may try to package loans together to avoid the MLA. If possible separate out additional loans from the purchase of a vehicle to make sure you have the greatest possible protections available under the MLA. ***

The term "vehicle" means any self-propelled vehicle primarily used for personal, family, or household purposes for on-road transportation. The term **does not** include motor homes, recreational vehicles (RVs), golf carts, motor scooters, or boats.

MLA REQUIREMENTS

The MLA requires disclosures to alert covered members to their rights. For example, creditors must provide:

- Statement of the MAPR applicable to the extension of consumer credit;
- Disclosures required by Regulation Z of the Truth in Lending Act, which shall be provided only in accordance with the requirements of Regulation Z that apply to that disclosure; and
- A clear description of the payment obligation of the covered member, as applicable. Note that a payment schedule (in the case of closed-end credit) or account-opening disclosure (in the case of open-end credit) provided pursuant to Regulation Z satisfies this requirement. *See* 32 CFR 232.6.

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