



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

DIVISION OF CONSUMER AND
COMMUNITY AFFAIRS

CA 16-6

September 29, 2016

**TO THE OFFICERS AND MANAGERS IN CHARGE OF CONSUMER AFFAIRS
SECTIONS:**

Applicability to Community Banking Organizations: This guidance applies to all institutions supervised by the Federal Reserve, including those with total consolidated assets of \$10 billion or less.

SUBJECT: Revised Interagency Military Lending Act Examination Procedures

The Task Force on Consumer Compliance of the Federal Financial Institutions Examination Council recently developed the attached interagency Military Lending Act (MLA) examination procedures. The MLA and its implementing regulation contain limitations on and requirements for certain types of consumer credit extended to active duty service members and their spouses, children, and other dependents. These revised examination procedures supersede the interagency MLA examination procedures transmitted with CA 08-4.

The revised examination procedures reflect amendments to the MLA implementing regulation made by the U.S. Department of Defense (DOD) in a final rule issued in July 2015.¹ The DOD amended the regulation to extend the protections of the MLA to a wider range of closed-end and open-end credit products, including credit cards. Consequently, the amended MLA regulation generally applies to all consumer credit other than home-secured credit and loans to finance the purchase of motor vehicles and other consumer goods that are secured by the purchased item. For extensions of credit covered by the rule, the Military Annual Percentage Rate (MAPR) applicable to the loan may not exceed 36 percent.

Among a range of other amendments, DOD's final rule modifies: the fees that must be included when calculating the MAPR; the optional safe harbor provisions for creditors to determine whether consumers are entitled to MLA protections; and MLA disclosure requirements.

The compliance date for the final rule is October 3, 2016, but for credit card accounts the compliance date is October 3, 2017 (which may, at DOD's option, be extended by one year).

¹ See 80 FR 43560 (July 22, 2015). Additional background information regarding compliance with the amended regulation is available in an Interpretive Rule issued by DOD, 81 FR 58840 (August 26, 2016).

If you have any questions, please contact Amal Patel, Senior Supervisory Consumer Financial Services Analyst, at (202) 912-7879, or Tim Robertson, Manager, at (202) 452-2565. In addition, questions may be sent via the Board's public website.²

Sincerely,

Carol A. Evans
Associate Director

Attachment:

- Revised Interagency Military Lending Act Examination Procedures

Supersedes:

- CA 08-4 "Interagency Examination Procedures for the Department of Defense's Final Rule on Limitations on Consumer Credit Extended to Service Members and Dependents ('Talent Amendment')" (July 31, 2008)

² See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.