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Transmittal – See OCC 2020-11

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Limitations on Terms of Consumer Credit Extended to Military Service Members and Dependents: Department of Defense Final Rule

The guidance attached to this issuance continues to apply to federal savings associations.

The Department of Defense (DoD) has published the attached final rule that stipulates the terms of certain credit extensions to active duty service members and their dependents (covered borrowers). The rule applies to all persons engaged in the business of extending consumer credit and their assignees. The final rule applies to "consumer credit," which the DoD defines as "payday loans," "vehicle title loans" and "tax refund anticipation loans" that meet specific parameters. For these defined transactions with covered borrowers (covered transactions), the DoD rule

- Limits interest to a 36 percent "military annual percentage rate (MAPR)" that comprises all fees and charges, including those for single premium credit insurance and other ancillary products sold in connection with the transaction; and
- Requires that certain oral and written loan disclosures be provided before the issuance of the covered transaction.

Additionally, the DoD rule specifies

- The applicable consumer disclosures;
- The method for calculating the MAPR (as opposed to the Truth in Lending Act APR);and
- A "safe harbor" for identifying covered borrowers, including a model borrower identification statement that creditors may use.

The DoD rule prohibits mandatory arbitration, waiver of legal rights, unreasonable notice requirements as a condition for legal action, payment by allotment, and prepayment penalties. The rule further limits or restricts rollovers and refinancings and the use of a check or other method of access to a covered borrower's account with certain exceptions.

Creditors offering any covered transactions may be subject to criminal and civil penalties if they knowingly violate the rule. Moreover, consumer credit contracts that are not in compliance with the rule will be deemed void from inception.

The final rule took effect on October 1, 2007. It applies to covered transactions that are consummated on or after that date.

To

Chief Executive Officers and
Compliance Officers of All
National Banks and National
Bank Operating Subsidiaries,
Department and Division Heads,
and All Examining Personnel

You may direct any questions to your supervisory office or OCC Compliance Division (202) 649-5470.

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Ann F. Jaedicke

Deputy Comptroller for Compliance Policy

Related Links

- [Department of Defense Final Rule 72 FR 50580](#)

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