

## Military Lending Act

### Background

Examiners should reference the Military Lending Act examination procedures (Chapter V-13.1 in the Compliance Examination Manual) for consumer credit transactions occurring on or after October 3, 2016, as relevant. For consumer credit transactions occurring prior to these dates, examiners should reference the Talent Amendment examination procedures (Chapter V-12.1 in the Compliance Examination Manual).

The Military Lending Act<sup>1</sup> (MLA), enacted in 2006 and implemented by the Department of Defense (DoD), protects active duty members of the military, their spouses, and their dependents from certain lending practices. These practices could pose risks for service members and their families, and could pose a threat to military readiness and affect service member retention.

The DoD regulation<sup>2</sup> implementing the MLA contains limitations on and requirements for certain types of consumer credit extended to active duty service members and their spouses, children, and certain other dependents (“covered borrowers”). Subject to certain exceptions, the regulation generally applies to persons who meet the definition of a creditor in Regulation Z and are engaged in the business of extending such credit, as well as their assignees.<sup>3</sup>

For covered transactions, the MLA and the implementing regulation limit the amount a creditor may charge, including interest, fees, and charges imposed for credit insurance, debt cancellation and suspension, and other credit-related ancillary products sold in connection with the transaction. The total charge, as expressed through an annualized rate referred to as the Military Annual Percentage Rate (MAPR)<sup>4</sup> may not exceed 36 percent.<sup>5</sup> The MAPR includes charges that are not included in the finance charge or the annual percentage rate (APR) disclosed under the Truth in Lending Act (TILA).<sup>6</sup>

<sup>1</sup> 10 U.S.C. 987.

<sup>2</sup> 32 CFR part 232.

<sup>3</sup> 32 CFR 232.3(i).

<sup>4</sup> The MAPR is calculated in accordance with 32 CFR 232.4(c).

<sup>5</sup> 32 CFR 232.4(b).

<sup>6</sup> The MAPR largely parallels the APR, as calculated in accordance with Regulation Z, with some exceptions to ensure that creditors do not have incentives to evade the interest rate cap by shifting fees for the cost of the credit product away from those categories that would be included in the MAPR. Generally, a charge that is excluded as a “finance charge” under Regulation Z also would be excluded from the charges that must be included when calculating the MAPR. Late payment fees and required taxes—i.e., fees that are not directly related to the cost of credit—are examples of items excluded from both the APR and the MAPR. But certain other fees more directly related to the cost of credit are typically included in the MAPR, but not the APR. The most common examples of these fees—application fees

In addition, among other provisions, the MLA, as implemented by DoD:

- Provides an optional safe harbor from liability for certain procedures that creditors may use in connection with identifying covered borrowers;
- Requires creditors to provide written and oral disclosures in addition to those required by TILA;
- Prohibits certain loan terms, such as prepayment penalties, mandatory arbitration clauses, and certain unreasonable notice requirements; and
- Restricts loan rollovers, renewals, and refinancings by some types of creditors.

Statutory amendments to the MLA in 2013 granted enforcement authority for the MLA’s requirements to the agencies specified in section 108 of TILA.<sup>7</sup> These agencies include the Board of Governors of the Federal Reserve System, the Consumer Financial Protection Bureau (CFPB), the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Federal Trade Commission. State regulators also supervise state-chartered institutions for MLA requirements pursuant to authority granted by state law.

In July 2015, DoD published revisions to the MLA implementing regulation<sup>8</sup> that:

- Extend the MLA’s protections to a broader range of credit products;
- Modify the MAPR to include certain additional fees and charges;
- Alter the provisions of the optional safe harbor available to creditors for identification of covered borrowers;
- Modify the disclosures creditors are required to provide to covered borrowers;
- Modify the prohibition on rolling over, renewing, or refinancing consumer credit; and
- Implement statutory changes, including provisions related to administrative enforcement and civil liability for MLA violations (for knowingly violating the MLA, there is potential for criminal penalties).

and participation fees—have been specifically noted in the regulation as charges that generally must be included in the MAPR, but would not be included in the APR under Regulation Z.

<sup>7</sup> National Defense Authorization Act for Fiscal Year 2013, Pub. L. 112-239, section 662(b), 126 Stat. 1786.

<sup>8</sup> 80 Fed. Reg. 43560.

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Previously, the MLA regulation only applied to certain types of credit, namely: narrowly defined payday loans, motor vehicle title loans, and tax refund anticipation loans with particular terms. The current rule defines “consumer credit” subject to the MLA much more broadly, generally paralleling the definition in Regulation Z. Some examples of additional credit products now subject to MLA protections when made to covered borrowers include:

- Credit cards;
- Deposit advance products;
- Overdraft lines of credit (but not traditional overdraft services);<sup>9</sup> and
- Certain installment loans (but not installment loans expressly intended to finance the purchase of a vehicle or personal property when the credit is secured by the vehicle or personal property being purchased).

Credit agreements that violate the MLA are void from inception. For most products, creditors are required to come into compliance with DoD’s July 2015 rule on October 3, 2016. For credit card accounts, creditors are not required to come into compliance with the rule until October 3, 2017.<sup>10</sup>

### Definitions (§ 232.3)

#### Consumer Credit

*Consumer credit* is “credit offered or extended to a covered borrower primarily for personal, family, or household purposes, and that is:

- Subject to a finance charge; or
- Payable by a written agreement in more than four installments.”

The MLA regulation’s definition of “consumer credit” has been amended to align more closely with the definition of the same term in Regulation Z. It is DoD’s intent that the term as used in the MLA regulation should wherever possible be interpreted consistently with Regulation Z. Notably,

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<sup>9</sup> An overdraft line of credit with a finance charge is a covered consumer credit product when: it is offered to a covered borrower; the credit extended by the creditor is primarily for personal, family, or household purposes; it is used to pay an item that overdraws an asset account and for which the covered borrower pays any fee or charge; and the extension of credit for the item and the imposition of a fee were previously agreed upon in writing.

<sup>10</sup> For purposes of the extended compliance date, the credit card accounts must be under an open-end (not home-secured) consumer credit plan. DoD may, by order, further extend the expiration of the limited exemption for credit card accounts to a date not later than October 3, 2018. For all other credit products, a creditor must comply with the applicable requirements of the July 2015 rule by October 3, 2016 for all consumer credit transactions or accounts for consumer credit consummated or established on or after October 3, 2016.

however, the MLA and the implementing regulation do not apply to certain types of loans extended to covered borrowers that are covered by Regulation Z, including:

- Residential mortgages (any credit transaction secured by an interest in a dwelling), including transactions to finance the purchase or initial construction of a dwelling, any refinance transaction, a home equity loan or line of credit, or a reverse mortgage;
- Credit transactions expressly intended to finance the purchase of a motor vehicle<sup>11</sup> when the credit is secured by the motor vehicle being purchased; and
- Credit transactions expressly intended to finance the purchase of personal property when the credit is secured by the property being purchased.

Note: A transaction where a creditor simultaneously extends an additional cash advance beyond the purchase price of the securing personal property does not fall under this last exception.

#### Covered Borrower

A *covered borrower* is a consumer who, at the time the consumer becomes obligated on a consumer credit transaction or establishes an account for consumer credit, is a covered member of the armed forces or a dependent of a covered member (as defined in 32 CFR 232.3(g)(2) and (g)(3)).

Covered members of the armed forces include members of the Army, Navy, Marine Corps, Air Force, or Coast Guard currently serving on active duty pursuant to title 10, title 14, or title 32 of the U.S. Code under a call or order that does not specify a period of 30 days or fewer, or such a member serving on Active Guard and Reserve duty as that term is defined in 10 U.S.C. 101(d)(6).

The term *dependent* refers to a covered member’s:

- Spouse;
- Children under age 21;
- Children under age 23 enrolled full-time at an approved institution of higher learning and dependent on a covered member (or dependent at the time of the member’s or former member’s death) for over one-half of their support; or

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<sup>11</sup> For purposes of the MLA, the term “vehicle” includes 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, or motor scooters.

- Children of any age incapable of self-support due to mental or physical incapacity that occurred while a dependent of the covered member under the preceding two bullets and dependent on a covered member (or dependent at the time of the member's or former member's death) for over one-half of their support.

Other relationships may also qualify an individual as a dependent of a covered member. Paragraphs (E) and (I) of 10 U.S.C. 1072(2) reference other relationships that qualify individuals as dependents under the MLA.

Per 32 CFR 232.2(a)(1), the regulation does not apply to a credit transaction or account relating to a consumer who is not a covered borrower at the time that he or she becomes obligated on a credit transaction or establishes an account for credit. Additionally, the regulation does not apply to a credit transaction or account (which would otherwise be consumer credit) relating to a consumer once the consumer no longer is a covered borrower.

### Creditor

Except as provided in 32 CFR 232.8(a), (f), and (g), a *creditor* under the MLA is a person who is:

- Engaged in the business of extending consumer credit;<sup>12</sup> or
- An assignee of a person engaged in the business of extending consumer credit with respect to any consumer credit extended.

With respect to 32 CFR 232.8(a) only (relating to limitations on rollovers, renewals, repayments, refinancings, and consolidations), the term *creditor* means a person engaged in the business of extending consumer credit subject to applicable law to engage in deferred presentment transactions or similar payday loan transactions. However, pursuant to 232.8(a), the term does not include a person that is chartered or licensed under Federal or State law as a bank, savings association, or credit union.

With respect to 32 CFR 232.8(f) only (relating to limitations on the use of a vehicle title as security), the term *creditor* does not include a person that is chartered or licensed under Federal or State law as a bank, savings association, or credit union.

With respect to 32 CFR 232.8(g) only (relating to limitations on requiring establishment of an allotment as a condition for extending credit), the term *creditor* does not include a "military welfare society," as defined in 10 U.S.C.

<sup>12</sup> For the purposes of this definition, a creditor is engaged in the business of extending consumer credit if the creditor considered by itself and together with its affiliates meets the transaction standard for a "creditor" under Regulation Z with respect to extensions of consumer credit to covered borrowers.

1033(b)(2), or a "service relief society," as defined in 37 U.S.C. 1007(h)(4).

### Military Annual Percentage Rate (MAPR)

The *MAPR* is the cost of the consumer credit expressed as an annual rate, calculated in accordance with 32 CFR 232.4(c) (*see* "Terms of Consumer Credit Extended to Covered Borrowers (Calculation of MAPR) (§ 232.4)" for more information about calculating the MAPR). The MAPR for covered transactions must not exceed 36 percent.<sup>13</sup>

### Short-Term, Small Amount Loan

Under certain circumstances, an application fee for a *short-term, small amount loan* may be excluded when calculating the MAPR (*see* "Terms of Consumer Credit Extended to Covered Borrowers (Calculation of MAPR) (§ 232.4)" for more information about calculating the MAPR). A short-term, small amount loan is a closed-end loan that is:

- Subject to and made in accordance with a Federal law (other than the MLA) that expressly limits the rate of interest that a Federal credit union or an insured depository institution may charge on an extension of credit, provided that the limitation set forth in that law is comparable to a limitation of an annual percentage rate of interest of 36 percent; and
- Made in accordance with the requirements, terms, and conditions of a rule, prescribed by the appropriate Federal regulatory agency (or jointly by such agencies), that implements the Federal law described in the paragraph above, provided further that such law or rule contains:
  - A fixed numerical limit on the maximum maturity term, which term shall not exceed nine months; and
  - A fixed numerical limit on any application fee that may be charged to a consumer who applies for such closed-end loan.

### Terms of Consumer Credit Extended to Covered Borrowers (Calculation of MAPR) (§ 232.4)

#### Types of Fees to Include in MAPR Calculation

Under the MLA, a creditor may not impose an MAPR greater than 36 percent in connection with an extension of consumer credit that is closed-end credit or in any billing cycle for open-end credit. For credit card accounts, creditors

<sup>13</sup> The regulation also prohibits an institution from imposing an MAPR except as authorized by applicable Federal or State law. Depending on the type of institution, different Federal or State laws may govern the maximum rates and fees an institution may impose for consumer credit transactions covered by the regulation, but in no instance may such rates and fees exceed the 36-percent MAPR cap contained in the regulation.

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are not required to comply with DoD's July 2015 rule until October 3, 2017.

The following charges included in the MAPR ("charges") must be included in the calculation of the MAPR for both closed- and open-end credit, as applicable:

- Any credit insurance premium or fee, any charge for single premium credit insurance, any fee for a debt cancellation contract, or any fee for a debt suspension agreement;
- Any fee for a credit-related ancillary product sold in connection with the credit transaction for closed-end credit or an account for open-end credit; and
- Except for a bona fide fee (other than a periodic rate) charged to a credit card account, which may be excluded if the bona fide fee is reasonable:
  - Finance charges associated with the consumer credit;
  - Any application fee charged to a covered borrower who applies for consumer credit, other than an application fee charged by a Federal credit union or an insured depository institution when making a short-term, small amount loan provided that the application fee is charged to the covered borrower not more than once in any rolling 12-month period (*see note below*); and
  - In general, any fee imposed for participation in any plan or arrangement for consumer credit. (*See "No Balance During a Billing Cycle" section below for more information on the MAPR calculation rules when there is no balance during a billing cycle for open-end credit*).

These charges are to be included in the MAPR calculation even if they would be excluded from the calculation of the finance charge under Regulation Z.

Note: One application fee charged by a creditor making a short-term, small amount loan can be excluded from the computation of the MAPR under the conditions noted in the definition of a short-term, small amount loan. However, if a creditor charges a second application fee to a covered borrower who applies for a second short-term, small amount loan within a rolling 12-month period, then that second fee (and any subsequent application fees charged during that period) is not eligible for the exclusion and must be included when computing the MAPR for that loan.

### Computing the MAPR for Closed-End Credit

For closed-end credit, the MAPR shall be calculated following the rules for calculating and disclosing the "Annual Percentage Rate (APR)" for credit transactions

under Regulation Z based on the MAPR charges listed above. *See Examination Checklist* for the types of fees that would be included or excluded from the MAPR calculation.

### Computing the MAPR for Open-End Credit

Generally, the MAPR for open-end credit should be calculated following the rules for calculating the effective annual percentage rate for a billing cycle as set forth in 12 CFR 1026.14(c) and (d) of Regulation Z<sup>14</sup> (as if a creditor must comply with that section) based on the charges listed above.

Even if a fee is otherwise eligible to be excluded under 12 CFR 1026.14(c) and (d), the amount of charges related to opening, renewing, or continuing an account must be included in the calculation of the MAPR to the extent those charges are among those in the above "Types of Fees to Include in MAPR Calculation".

*No Balance During a Billing Cycle.* For open-end credit, if the MAPR cannot be calculated in a billing cycle because there is no balance in the billing cycle, a creditor may not impose any fee or charge during that billing cycle, except that the creditor may impose a fee for participation in any plan or arrangement for that open-end credit so long as the participation fee does not exceed \$100.00 annually, regardless of the billing cycle in which the participation fee is imposed.

Note: the \$100.00-per-year limitation on the amount of the participation fee does not apply to a bona fide participation fee charged to a credit card account consistent with 32 CFR 232.4(d).

Creditors may impose fees or charges that are excluded from the calculation of the MAPR during a particular billing cycle where there is no balance during the billing cycle. For example, if a creditor charged a late fee for a late payment in accordance with its credit agreement with the covered borrower and in compliance with Regulation Z, the creditor may charge the fee, regardless of whether there is a balance in the billing cycle, because a late fee is not among the charges that are included in the calculation of the MAPR.

*Bona Fide Fees Charged to a Credit Card Account, Generally.* For consumer credit extended in a credit card account under an open-end (not home-secured) consumer credit plan, a bona fide fee, other than a periodic rate, is not a charge required to be included in the MAPR calculation,

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<sup>14</sup> Sections 1026.14(c) and (d) of Regulation Z provide for the methods of computing the APR under several scenarios, such as: (1) when the finance charge is determined solely by applying one or more periodic rates; (2) when the finance charge during a billing cycle is or includes a fixed or other charge that is not due to application of a periodic rate, other than a charge with respect to a specific transaction; and (3) when the finance charge during a billing cycle is or includes a charge relating to a specific transaction during the billing cycle.

provided the fee is both bona fide and reasonable for the type of fee. There is no exclusion for “bona fide fees” on accounts that are not credit card accounts.

The exclusion for bona fide fees on credit card accounts does not apply to the following fees:

- Any credit insurance premium or fee, including any charge for single premium credit insurance, any fee for a debt cancellation contract, or any fee for a debt suspension agreement; or
- Any fee for a credit-related ancillary product sold in connection with the credit transaction for closed-end credit or an account for open-end credit.

Note: A minimum interest charge on a credit card account that is generally disclosed in an account-opening table can be a bona fide fee excludable from the MAPR calculation if it meets the conditions for exclusion.

To assess whether a bona fide fee is “reasonable,” the fee must be compared to fees typically imposed by other creditors for the same or a substantially similar product or service. This comparison is designed to be an “elementary like-kind standard,” as illustrated in the examples below:

*Example #1:* When assessing a bona fide cash advance fee, that fee must be compared to fees charged by other creditors for transactions in which consumers receive extensions of credit in the form of cash or its equivalent.

*Example #2:* When assessing a foreign transaction fee, that fee may not be compared to a cash advance fee because the foreign transaction fee involves the service of exchanging the consumer’s currency (e.g., a reserve currency) for the local currency demanded by a merchant for a good or service, and does not involve the provision of cash to the consumer.

It is generally permissible to consider benefits provided by credit card rewards programs in determining whether a fee is reasonable overall. For participation fees, the rule gives additional guidance for determining whether a fee is reasonable: if the amount of the fee reasonably corresponds to the credit limit in effect or credit made available when the fee is imposed, to the services offered under the credit card account, or to other factors relating to the credit card account.

*Example #3:* Even if other creditors typically charge \$100.00 annually for participation in credit card accounts, a \$400.00 fee nevertheless may be reasonable if (relative to other accounts carrying participation fees) the credit made available to the covered borrower is significantly higher or additional services or other benefits are offered under that account.

*Bona Fide Fees Charged to a Credit Card Account, Safe Harbor.* The regulation provides a “firm, yet flexibly adaptable” safe harbor standard for a “reasonable” amount of a bona fide fee on a credit card account. A bona fide fee is reasonable if the amount of the fee is less than or equal to an average amount of a fee for the same or a substantially similar product or service charged by five or more creditors each of whose U.S. credit cards in force is at least \$3 billion in an outstanding balance (or at least \$3 billion in loans on U.S. credit card accounts initially extended by the creditor) at any time during the three-year period preceding the time such average is computed. Creditors may use publicly available information regarding credit cards in force and/or fees charged on those credit cards, such as Securities and Exchange Commission filings, Consolidated Reports of Condition and Income, agreements posted on the CFPB’s website (<http://www.consumerfinance.gov/credit-cards/agreements/>), agreements posted on creditors’ own websites, or commercially compiled sources of information. For purposes of choosing creditors for comparison, note that a creditor may meet the \$3 billion threshold even if the creditor has sold the credit card loans to a special-purpose vehicle or entered into another arrangement so that securities backed by the loans may be issued.

A bona fide fee that is higher than an average amount calculated using the safe harbor standard also may be reasonable depending on other factors relating to the credit card account. A bona fide fee charged by a creditor is not unreasonable solely because other creditors do not charge a fee for the same or a substantially similar product or service.

*Effect of Charging Fees on Bona Fide Fees.* If a creditor imposes a fee or fees that cannot be excluded from the MAPR (see “Types of Fees to Include in MAPR Calculation”) and imposes a finance charge on a covered borrower, the total amount of the fee(s) and finance charge(s) shall be included in the MAPR. This does not affect whether another type of fee may be excluded as a bona fide fee.

However, if a creditor imposes any fee (other than a periodic rate or charges that must be included in the MAPR) that is not a bona fide fee and imposes a finance charge on a covered borrower, the total amount of those fees, including any bona fide fees, and other finance charges shall be included in the MAPR.

*Example #1:* In a credit card account under an open-end (not home-secured) consumer credit plan during a given billing cycle, Creditor A imposes on a covered borrower a fee for a debt cancellation product, a finance charge, and a reasonable bona fide foreign transaction fee. Only the fee for the debt cancellation product and the finance charge must be included when calculating the MAPR.

*Example #2:* In a credit card account under an open-end (not home-secured) consumer credit plan during a given billing cycle, Creditor B imposes on a covered borrower a

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fee for a debt cancellation product, a finance charge, a reasonable bona fide foreign transaction fee, and a bona fide, but unreasonable cash advance fee. All of the fees—including the foreign transaction fee that otherwise would qualify for the exclusion as a bona fide fee—and the finance charge must be included when calculating the MAPR.

### Timing for Computing the MAPR for Open-End Credit

*Computing.* In general, creditors can be reasonably expected to estimate at the outset of a billing cycle whether charges to a covered borrower can produce an MAPR in excess of the 36-percent limit. This is particularly true because the creditor already would know the periodic rate and whether the non-periodic fees are covered by the exclusion for a bona fide fee under 32 CFR 232.4(d).

Nevertheless, under certain circumstances, creditors might not know at the outset of a billing cycle whether the borrower's use of an open-end line of credit will lead to a finance charge that—through a combination of rates and fees—exceeds the 36-percent limit. However, at the end of a billing cycle the creditor would be able to calculate the MAPR and, in that same billing cycle, waive fees or periodic charges, either in whole or in part, in order to comply with the 36-percent limit.

### MAPR Calculation Examples

The following examples may assist reviewers in calculating the MAPR.

*Example #1: Closed-End Credit.* The MAPR for single advance, single payment transactions, such as some types of deposit advance loans, must be computed in accordance with the rules in Regulation Z, such as by following the instructions described in paragraph (c)(5) of appendix J. Based on the formula provided in paragraph (c)(5) of appendix J, in the case of a single advance, single payment transaction loan extended to a covered borrower for a period of 45 days, and for which the advance is \$500.00 and the single payment required consists of the principal amount plus a finance charge of \$28.44, for a total payment of \$528.44, the MAPR would be 46.14 percent. In this example, the resultant MAPR would exceed the 36-percent rate limit.

*Example #2: Open-End Credit (General).* Suppose a creditor offers a line of credit to a covered borrower primarily for personal, family, or household purposes (commonly referred to as a “personal line of credit”), and permits the borrower to repay on a monthly basis. Upon establishing the personal line of credit, the covered borrower borrows \$500.00. The creditor charges a periodic rate of 0.006875 (which corresponds to an annual rate of 8.25 percent), plus a fee of \$25.00, charged when the account is established and annually thereafter. Under these circumstances, pursuant to 12 CFR 1026.14(c)(2),

the creditor would calculate the MAPR as follows: “dividing the total amount of the finance charge for the billing cycle”—which is \$3.44 (corresponding to  $(0.006875) \times (\$500)$ ), plus \$25.00—“by the amount of the balance to which it is applicable”—\$500—and multiplying the quotient (expressed as a percentage) by the number of billing cycles in a year”—12 (since the creditor allows the borrower to repay monthly), which is 68.26 percent. In this example, even though the periodic rate (0.006875) would comply with the interest-rate limit under 32 CFR 232.4(b), the resultant MAPR would be in excess of that limit because the amount borrowed is low at the time the annual fee is imposed.

*Example #3: Open-End Credit (Credit Card).* In the case of a credit card account, a creditor likewise would be required to calculate the MAPR using the methods prescribed in 12 CFR 1026.14(c) and (d) of Regulation Z. For example, if a creditor extends credit to a covered borrower through a credit card account and the borrower incurs a finance charge relating to a specific transaction, such as a cash advance transaction, during the billing cycle, then the creditor would calculate the MAPR under the instructions set forth in 12 CFR 1026.14(c)(3). However, in the case of a credit card account the creditor may exclude, pursuant to 32 CFR 232.4(c)(1)(iii) and 232.4(d), any bona fide fee from the finance charges that otherwise must be accounted for; thus, if a charge for the cash advance transaction fits within the exclusion for a bona fide fee under 32 CFR 232.4(d), then that charge would not be included when computing the MAPR for that billing cycle.

### Identification of Covered Borrowers (§ 232.5)

A creditor is permitted to apply its own method to assess whether a consumer is a covered borrower; however, the regulation provides creditors an optional safe harbor from liability in conclusively determining whether credit is offered or extended to a covered borrower through assessing the status of a consumer by use of either of the following methods:

- Verifying the status of a consumer by using information relating to that consumer, if any, obtained directly or indirectly from the DoD's database, located at <https://mla.dmdc.osd.mil/> (or via any URL or direct connection to the database that may be provided by the DoD). Searches require entry of the consumer's last name, date of birth, and Social Security number.

Note: Historic lookbacks are prohibited under the rule. After a consumer has entered into a transaction or established an account, a creditor (including an assignee) may not, directly or indirectly, obtain any information from the DoD database to determine whether a consumer had been a covered borrower as of the date of a transaction or the date an account was established. However, this

provision does not prevent creditors from adopting a risk management plan that includes periodically screening credit portfolios for other purposes, such as determining whether there are changes to covered borrower status.

### OR

- Verifying the status of a consumer by using a statement, code, or similar indicator describing that status, if any, contained in a consumer report obtained from a consumer reporting agency that compiles and maintains files on consumers on a nationwide basis, or a reseller of such consumer reports, as those terms are defined in the Fair Credit Reporting Act (FCRA) and any implementing regulations.

Note: The consumer reporting agency (CRA) must be a nationwide agency or a reseller of reports from such an agency (as both of those terms are defined by the FCRA); many specialty CRAs may not qualify.

A creditor's one-time determination, by using one of the methods provided in 32 CFR 232.5(b)(2), is permitted and deemed to be conclusive with respect to that transaction or account between the creditor and that consumer, so long as the creditor timely creates and maintains a record of the information obtained, solely at the time that:

- The consumer initiates the transaction or 30 days prior to that time;
- The consumer applies to establish the account or 30 days prior to that time; or
- The creditor develops or processes a firm offer of credit that includes the status of the consumer as a covered borrower, so long as the consumer responds to that offer no later than 60 days after the creditor provides the offer to the consumer.

The MLA rule extends the covered borrower check safe harbor to a creditor's assignee provided that the assignee continues to maintain the original record created by the creditor that initially extended the credit. Neither the MLA nor 32 CFR 232 specify how and for how long creditors are to maintain these records, noting only that the records must be created timely and maintained thereafter.

An action by a creditor within an existing account, such as to increase the available credit that a consumer may draw upon, does not alter the status of the creditor's prior determination for that account. However, in order to benefit from the optional safe harbor provisions, a creditor must use one of the safe harbor methods when extending a new consumer credit product or newly establishing an account for consumer credit, including a new line of consumer credit that might be associated with a pre-existing transactional account held by the borrower (for example, when a consumer applies for an

overdraft line of credit associated with an existing checking account).

### **Mandatory Loan Disclosures (§ 232.6)**

If a creditor extends consumer credit (including any consumer credit originated or extended through the internet) to a covered borrower, the creditor must provide the covered borrower with certain information before or at the time the borrower becomes obligated on the transaction or establishes an account for the consumer credit:

- A statement of the MAPR applicable to the extension of consumer credit;
- Any disclosure required by Regulation Z, 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 borrower, 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.

A creditor may satisfy the requirement to provide a statement of the MAPR by describing the charges the creditor may impose, in accordance with the regulation and subject to the terms and conditions of the agreement, relating to the consumer credit to calculate the MAPR. A creditor is not required to describe the MAPR as a numerical value or to describe the total dollar amount of all charges in the MAPR that apply to the extension of consumer credit. A creditor may include a statement of the MAPR applicable to the consumer credit in the agreement with the covered borrower involving the consumer credit transaction. The regulation does not require a statement of the MAPR to be included in advertisements.

Under 32 CFR 232.6(c)(3), a statement substantially similar to the following model statement may be used to satisfy the requirement to provide a statement of the MAPR:

Federal law provides important protections to members of the Armed Forces and their dependents relating to extensions of consumer credit. In general, the cost of consumer credit to a member of the Armed Forces and his or her dependent may not exceed an annual percentage rate of 36 percent. This rate must include, as applicable to the credit transaction or account: The costs associated with credit insurance

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premiums; fees for ancillary products sold in connection with the credit transaction; any application fee charged (other than certain application fees for specified credit transactions or accounts); and any participation fee charged (other than certain participation fees for a credit card account).

If a transaction involves more than one creditor, then only one of those creditors must provide the required disclosures. The creditors may agree among themselves which creditor will provide the statement of the MAPR and the clear description of the payment obligation.<sup>15</sup>

The statement of the MAPR and the clear description of the payment obligation must be provided in writing in a form the covered borrower can keep. A creditor shall also provide such required information orally.<sup>16</sup> A creditor may satisfy the requirement to provide oral disclosures if the creditor provides:

- The information to the covered borrower in person; or
- A toll-free telephone number in order to deliver the oral disclosures to a covered borrower when the covered borrower contacts the creditor for this purpose.

If a creditor elects to provide a toll-free telephone number in order to deliver the oral disclosures, the toll-free telephone number must be included on:

- A form the creditor directs the consumer to use to apply for the transaction or account involving consumer credit; or
- The written disclosure the creditor provides to the covered borrower.

The oral disclosures provided through the toll-free number need only be available for a duration of time reasonably necessary to allow a covered borrower to contact the creditor for the purpose of listening to the disclosure. A creditor may orally provide a clear description of the payment obligation of the covered borrower by providing a general description of how the payment obligation is calculated or a description of what the borrower's payment obligation would be based on an estimate of the amount the borrower may borrow. For example, a creditor could generally describe how minimum payments are calculated on open-end credit plans issued by the creditor and then refer the covered borrower to the written materials the borrower will receive in connection

with opening the plan. Alternatively, a creditor could choose to generally describe borrowers' obligations to make a monthly, bi-monthly, or weekly payment as the case may be under the borrowers' agreements. The requirement of a clear, oral payment obligation disclosure has sufficient breadth that creditors may choose a variety of acceptable oral disclosure compliance strategies. A generic oral description of the payment obligation may be provided, even though the disclosure is the same for borrowers with a variety of consumer credit transactions or accounts.

If Regulation Z would allow a creditor to provide a required disclosure after the borrower has become obligated on a transaction, as in the case of purchase orders or requests for credit made by mail, telephone, or fax under 12 CFR 1026.17(g), the disclosures required by the MLA may be provided at the time prescribed in Regulation Z. A creditor is required to provide new disclosures for the refinancing or renewal of consumer credit only when the transaction for that credit would be considered a new transaction that requires disclosures under Regulation Z.

The statement of the MAPR and the clear description of the payment obligation, as described above, need to be provided to a covered borrower only once for the transaction or the account established for consumer credit with respect to that borrower.

### Limitations (§ 232.8)

The MLA imposes a number of limitations upon creditors in connection with consumer credit extended to covered borrowers.

*Rollovers and certain other actions.* It is unlawful for a creditor to roll over, renew, repay, refinance, or consolidate any consumer credit extended to the covered borrower by the same creditor with the proceeds of other consumer credit extended by that creditor to the same covered borrower.

For the purposes of this paragraph, the term "creditor" means a person engaged in the business of deferred presentment transactions or similar payday loan transactions (as described in the relevant law), provided however, that the term does not include a person that is chartered or licensed under Federal or State law as a bank, savings association, or credit union.

Note: This prohibition does not apply to a transaction when the same creditor extends consumer credit to a covered borrower to refinance or renew an extension of credit that was not covered by this paragraph because the consumer was not a covered borrower at the time of the original transaction.

*Terms Relating to Dispute Resolution.* A creditor cannot require a covered borrower to:

- Waive the covered borrower's right to legal recourse under any otherwise applicable provision of Federal or

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<sup>15</sup> 32 CFR 232.6(b)(2).

<sup>16</sup> 32 CFR 232.6(d)(2).



State law, including any provision of the Servicemembers Civil Relief Act;<sup>17</sup>

- Submit to arbitration or other onerous legal notice provisions in the case of a dispute; or
- Give unreasonable notice as a condition for legal action.

*Payment Terms and Conditions – General.* A creditor cannot:

- Use the title of a vehicle as security for the obligation involving the consumer credit.

Note that for the purposes of this paragraph, the term “creditor” does not include a person that is chartered or licensed under Federal or State law as a bank, savings association, or credit union;

- Require as a condition for the extension of consumer credit that the covered borrower establish an allotment to repay the obligation (note that for the purposes of this paragraph only, the term “creditor” shall not include a “military welfare society,” as defined in 10 U.S.C. 1033(b)(2), or a “service relief society,” as defined in 37 U.S.C. 1007(h)(4)); or
- Prohibit the borrower from prepaying the consumer credit or charge a penalty fee for prepaying all or part of the consumer credit.

*Payment Terms and Conditions – Account Access.* A creditor cannot use a check or other method of access to a deposit, savings, or other financial account maintained by the covered borrower, except that, in connection with a consumer credit transaction with an MAPR not exceeding the 36-percent limit, a creditor may:

- Require an electronic fund transfer to repay a consumer credit transaction, unless otherwise prohibited by law;

- Require direct deposit of the consumer’s salary as a condition of eligibility for consumer credit, unless otherwise prohibited by law; or
- If not otherwise prohibited by applicable law, take a security interest in funds deposited after the extension of credit in an account established in connection with the consumer credit transaction.

This section prohibits a creditor from using the borrower’s account information to create a remotely created check or remotely created payment order in order to collect payments on consumer credit from a covered borrower. Similarly, a creditor may not use a post-dated check provided at or around the time credit is extended that deprives the borrower of control over payment decisions, as is common in certain payday lending transactions. However, the prohibition on account access does not in any way prevent covered borrowers from tendering a check or authorizing access to a deposit, savings, or other financial account to repay a creditor. Section 232.8(e) also does not prohibit a covered borrower from authorizing automatically recurring payments, provided that such recurring payments comply with other laws, including the Electronic Fund Transfer Act and its implementing regulations, such as 12 CFR 1005.10, as applicable. The prohibition in 32 CFR 232.8(e) also does not prohibit covered borrowers from granting a security interest to a creditor in the covered borrower’s checking, savings, or other financial account, provided that it is not otherwise prohibited by applicable law and the creditor complies with the MLA regulation including the 36-percent limitation on the MAPR.

*Savings Clauses.* A creditor may include a proscribed term under section 232.8, such as a mandatory arbitration clause, within a standard written credit agreement with a covered borrower, provided that the agreement includes a contractual “savings” clause limiting the application of the proscribed term to only non-covered borrowers, consistent with any other applicable law.

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<sup>17</sup> 50 U.S.C. 3901 *et seq.*

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### Examination Objectives

1. Determine the institution's compliance with the provisions of 32 CFR 232, as applicable.
2. Assess the quality of the institution's compliance risk management systems and its policies and procedures for implementing the provisions.
3. Determine the reliance that can be placed on the institution's internal controls and procedures for monitoring the institution's compliance with the provisions.
4. Determine corrective action when violations of law are identified or when the institution's policies, procedures, or internal controls are deficient.

### Examination Procedures<sup>18</sup>

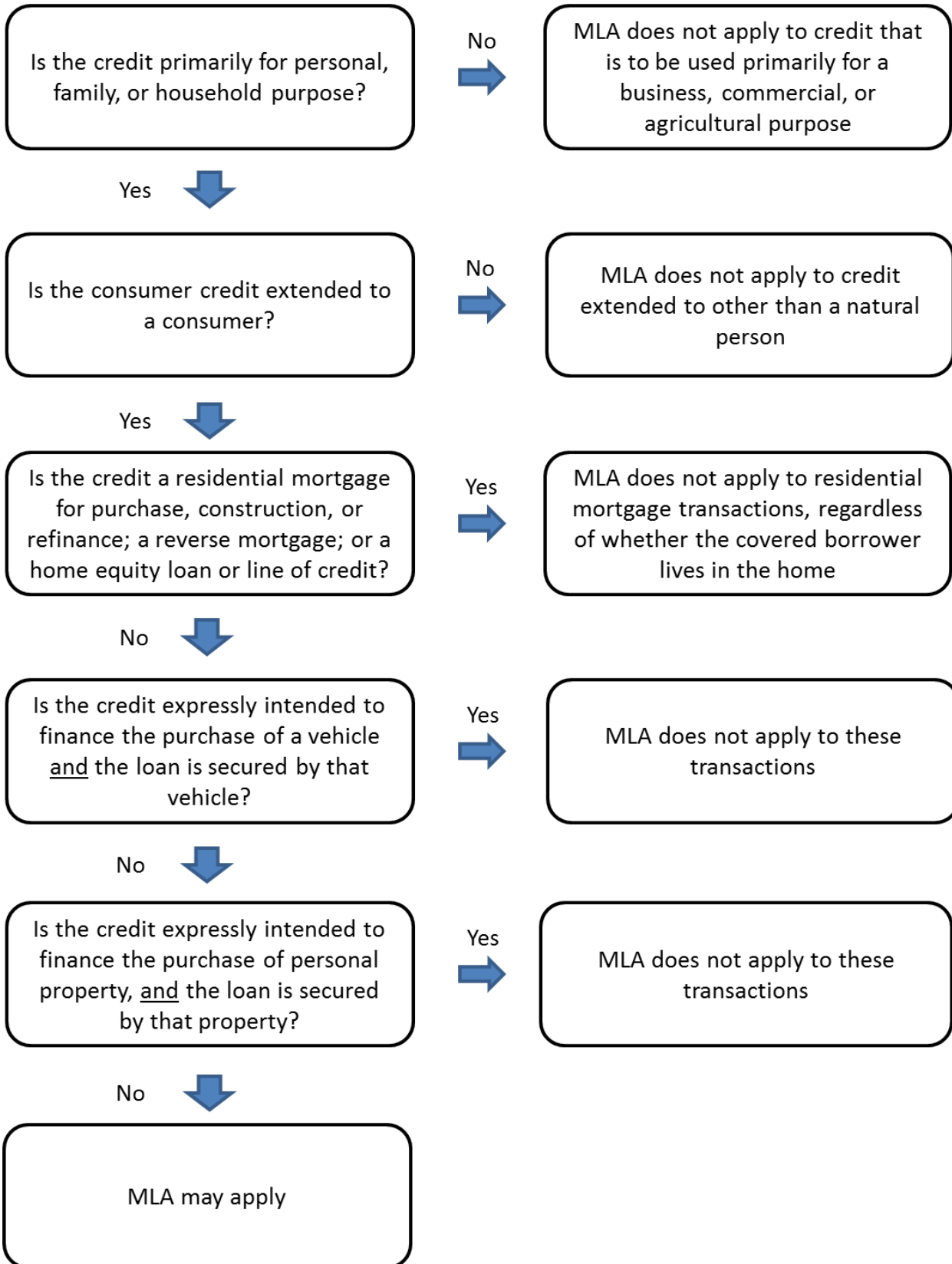
#### Determine Applicability of the Regulation

1. Determine if the creditor offers or purchases consumer credit covered by 32 CFR 232.
  - If the creditor does not offer or purchase the types of credit that would be consumer credit within the meaning of the MLA, the regulation does not apply and no further review is necessary;
  - If the creditor offers or purchases any of the types of credit that would be consumer credit within the meaning of the MLA, use the following procedures to determine whether the creditor complies with the MLA.

The following flowchart may be helpful in determining MLA applicability to a particular extension of credit to a covered borrower:

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<sup>18</sup> This reflects the interagency examination procedures in their entirety.



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### Evaluate Compliance Management System

2. Determine the extent and adequacy of the institution's policies, procedures, and practices for ensuring and monitoring compliance with the MLA.
3. Determine the extent and adequacy of the training received by individuals whose responsibilities relate to compliance with the MLA. Review any training materials pertaining to the MLA and determine whether the training is comprehensive and covers the various aspects of the provisions that apply to the creditor's offerings and operations.
4. Determine if the institution has policies or procedures in place to:
  - Provide account disclosure information to covered borrowers in accordance with 32 CFR 232.6;
  - Correctly determine which fees it charges are required to be included in the calculation of the MAPR;
  - Correctly calculate and limit the MAPR (including waiving amounts necessary in order to comply with the limit at the outset of a transaction and at the end of a billing cycle on open-end credit, as applicable) as defined in 32 CFR 232.3(p) and in accordance with 32 CFR 232.4(c); and
  - Properly create and maintain records of covered borrower checks.
5. Obtain compliance reviews and/or audit materials, including workpapers and reports, to determine if:
  - The scope of any audits address all provisions of the regulation, as applicable;
  - Transaction testing includes samples covering all relevant product types and decision centers;
  - The work performed is accurate;
  - Significant deficiencies and their causes are included in reports to management or to the board of directors;
  - Management has taken corrective actions to follow up on previously identified deficiencies; and
  - The frequency of review/audit is appropriate (including review/audit of implemented corrective action related to previously identified deficiencies).
6. Through discussions with management and review of available information, determine whether the institution's internal controls are adequate to ensure compliance. Consider the following:

- Organization charts;
- Process flowcharts;
- Policies and procedures;
- Account documentation;
- Checklists; and
- Computer program documentation, including any computer program testing and validation.

### Identification of Covered Borrowers

7. Determine whether the creditor's policies, procedures, and training materials accurately reflect the scope of the "covered borrower" definition.

If creditors elect not to enact company-wide policies and procedures to check for covered borrower status, they may be at higher risk for making non-compliant loans. Examiners may wish to focus any file review activities on the ability of creditors to accurately ascertain covered borrower status on an ad hoc basis.

8. Determine whether the creditor has elected to use one of the optional safe harbor methods provided in 32 CFR 232.5(b). If the creditor does not use one of the optional safe harbor methods, describe the method, if any, that the creditor uses to ensure it does not make covered loans to covered borrowers on prohibited terms.
9. If a creditor elects to use one of the two optional safe harbor methods to check a consumer's status, ascertain whether the creditor timely creates and thereafter maintains a record of the information obtained, in accordance with 32 CFR 232.5(b)(3).
10. If a creditor elects to use a method other than one of the two optional safe harbor methods, determine whether the chosen method is performed prior to a consumer becoming obligated on a credit transaction or establishing an account for credit and whether the creditor maintains a record of the information obtained.

Note: Section 232.5 contains no specific timing and recordkeeping requirements if the creditor uses an alternative to one of the safe harbors to verify covered borrower status. However, any alternative method selected by the creditor should be evaluated to determine whether it is reasonable and verifiable, and whether it addresses the risk of extending consumer credit that does not comply with the MLA to a covered borrower.
11. Regarding an action by a creditor relating to a covered borrower with an existing account, if a creditor has elected to use one of the two optional safe harbor

methods, determine whether the creditor also uses one of the safe harbor methods when extending a new consumer credit product or newly establishing an account for consumer credit, including a new line of consumer credit that might be associated with a pre-existing transactional account held by the borrower.

**Calculation of MAPR**

12. Determine whether the creditor includes the following charges in the calculation of the MAPR for both closed-end and open-end credit, as applicable:
  - Any credit insurance premium or fee, any charge for single premium credit insurance, any fee for a debt cancellation contract, or any fee for a debt suspension agreement;
  - Any fee for a credit-related ancillary product sold in connection with the credit transaction for closed-end credit or an account for open-end credit; and
  - Except for a bona fide fee (other than a periodic rate) charged to a credit card account, which may be excluded if the bona fide fee is reasonable for that type of fee:
    - Finance charges associated with the consumer credit;
    - Any application fee charged to a covered borrower who applies for consumer credit, other than an application fee charged by a Federal credit union or an insured depository institution when making a short-term, small amount loan provided that the application fee is charged to the covered borrower not more than once in any rolling 12-month period; and
    - Any fee imposed for participation in any plan or arrangement for consumer credit other than as permitted under 32 CFR 232.4(c)(2)(ii)(B).
13. For closed-end credit, determine whether the creditor appropriately calculates the MAPR following the rules for calculating and disclosing the “Annual Percentage Rate (APR)” for credit transactions under Regulation Z based on the “Types of Fees to Include in MAPR Calculation” above.
14. For open-end credit, determine whether the creditor appropriately calculates the MAPR following the rules for calculating the effective annual percentage rate for a billing cycle as set forth in 12 CFR 1026.14(c) and (d) of Regulation Z (as if a creditor must comply with that section) based on the “Types of Fees to Include in MAPR Calculation” above.

**Mandatory Loan Disclosures**

15. Determine whether the creditor properly provides the covered borrower with required information before or at the time the borrower becomes obligated on the transaction or establishes an account for the consumer credit, including:
  - A statement of the MAPR applicable to the extension of consumer credit;
  - Any disclosure required by Regulation Z, 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 borrower, 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. Also note that for oral disclosures, a generic, clear description of the payment obligation is permissible.
16. Determine whether the creditor provides the statement of the MAPR and the clear description of the payment obligation both in writing in a form the covered borrower can keep and orally.
17. If the creditor elects to provide a toll-free telephone number in order to deliver the oral disclosures to a covered borrower, determine whether the toll-free telephone number is included on either:
  - A form the creditor directs the consumer to use to apply for the transaction or account involving consumer credit; or
  - The written disclosure the creditor provides to the covered borrower.
18. If the creditor elects to provide a toll-free telephone number in order to deliver the oral disclosures to a covered borrower, determine whether the toll-free telephone number is available for a duration of time reasonably necessary to allow a covered borrower to contact the creditor for the purpose of listening to the disclosure.

**Other Limitations**

19. Determine whether the creditor abides by the prohibition on rolling over, renewing, repaying, refinancing, or consolidating consumer credit. Note that this prohibition does not apply to a creditor that is chartered or licensed under Federal or State law as a bank, savings association, or credit union, or when the credit is being extended by the same creditor to refinance or renew an extension of credit that was not

## V. Lending — Military Lending Act

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covered because the consumer was not a covered borrower at the time of the original transaction.

20. Determine whether the creditor abides by the prohibitions against requiring covered borrowers to:

- Waive their rights to legal recourse under any otherwise applicable law;
- Submit to arbitration or other onerous legal notice provisions in the case of a dispute; or
- Provide unreasonable notice as a condition for legal action.

21. Confirm that the creditor does not:

- Require that a covered borrower repay the obligation by military allotment (note that for purposes of this provision of the regulation, the term “creditor” does not include “military welfare societies” or “service relief societies”);
- Prohibit a covered borrower from prepaying the consumer credit; or

- Charge a covered borrower a penalty fee for prepaying all or part of the consumer credit.

22. Determine whether the creditor abides by the prohibition on using the title of a vehicle as security for the obligation involving the consumer credit. Note that this prohibition does not apply when the transaction is expressly intended to finance the purchase of a vehicle and the credit is secured by the vehicle or when the creditor is chartered under Federal or State law as a bank, savings association, or credit union.

23. Determine whether the creditor improperly requires access to a deposit, savings, or other financial account maintained by the covered borrower for repayment by:

- Obtaining payment through a remotely created check or remotely created payment order; or
- Obtaining a post-dated check provided at or around the time credit is extended.

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Examination Checklist – Military Lending Act	Yes	No	NA
<b>Applicability of the Regulation</b>			
1. Does the creditor or assignee offer, extend, or purchase credit primarily for personal, family, or household purposes?  If the answer is Yes, proceed. If the answer is No or N/A, conclude the review.			
<b>Evaluate Compliance Management System</b>			
2. Does the institution have adequate policies, procedures, and practices for ensuring and monitoring compliance with the MLA?			
3. Does the institution provide adequate training for individuals whose responsibilities relate to compliance with the MLA?			
4. Does the institution have policies or procedures in place to: <ul style="list-style-type: none"> <li>Provide account disclosure information to covered borrowers in accordance with 32 CFR 232.6;</li> <li>Correctly determine which fees the creditor charges are required to be included in the calculation of the MAPR;</li> <li>Correctly calculate and limit the MAPR (including waiving amounts necessary in order to comply with the limit at the outset of a transaction and at the end of a billing cycle on open-end credit, as applicable) as defined in 32 CFR 232.3(p) and in accordance with 32 CFR 232.4(c); and</li> <li>Properly create and maintain records of covered borrower checks?</li> </ul>			
5. Based on a review of the institution’s compliance reviews and/or audit materials, including workpapers and reports: <ul style="list-style-type: none"> <li>Does the scope of any audits address all provisions of the regulation, as applicable?</li> <li>Does transaction testing include samples covering all relevant product types and decision centers?</li> <li>Is the work performed accurate?</li> <li>Are significant deficiencies and their causes included in reports to management or to the board of directors?</li> <li>Has management taken corrective actions to follow up on previously identified deficiencies?</li> <li>Is the frequency of review/audit appropriate (including review/audit of implemented corrective action related to previously identified deficiencies)?</li> </ul>			
6. Are the institution’s internal controls adequate to ensure compliance?			
<b>Identification of Covered Borrowers</b>			
7. Do the creditor’s policies, procedures, and training materials accurately reflect the scope of the “covered borrower” definition?			
8. Has the creditor elected to use one of the optional safe harbor methods provided in 32 CFR 232.5(b)?			
9. If a creditor elects to use one of the two optional safe harbor methods to check a consumer’s status: <ul style="list-style-type: none"> <li>Does the creditor timely create a record of the information obtained, in accordance with 32 CFR 232.5(b)(3)?</li> <li>Does the creditor thereafter maintain a record of the information obtained, in accordance with 32 CFR 232.5(b)(3)?</li> </ul>			

## V. Lending — Military Lending Act

Examination Checklist – Military Lending Act	Yes	No	NA
<ul style="list-style-type: none"> <li>Regarding an action by a creditor relating to a covered borrower with an existing account, does the creditor also use one of the safe harbor methods when extending a new consumer credit product or newly establishing an account for consumer credit, including a new line of consumer credit that might be associated with a pre-existing transactional account held by the borrower?</li> </ul>			
<p>10. If a creditor elects to use a method other than one of the two optional safe harbor methods:</p> <ul style="list-style-type: none"> <li>Is the chosen method performed prior to a consumer becoming obligated on a credit transaction or establishing an account for credit?</li> <li>Does the creditor maintain a record of the information obtained?</li> </ul>			
<b>Calculation of MAPR</b>			
<p>11. Does the creditor include the following charges in the calculation of the MAPR for both closed- and open-end credit, as applicable:</p> <ul style="list-style-type: none"> <li>Any credit insurance premium or fee, any charge for single premium credit insurance, any fee for a debt cancellation contract, or any fee for a debt suspension agreement;</li> <li>Any fee for a credit-related ancillary product sold in connection with the credit transaction for closed-end credit or an account for open-end credit; and</li> <li>Except for a bona fide fee (other than a periodic rate) charged to a credit card account, which may be excluded if the bona fide fee is reasonable for that type of fee: <ul style="list-style-type: none"> <li>Finance charges associated with the consumer credit;</li> <li>Any application fee charged to a covered borrower who applies for consumer credit, other than an application fee charged by a Federal credit union or an insured depository institution when making a short-term, small amount loan provided that the application fee is charged to the covered borrower not more than once in any rolling 12-month period; and</li> <li>In general, any fee imposed for participation in any plan or arrangement for consumer credit.</li> </ul> </li> </ul>			
<p>12. For closed-end credit, does the creditor appropriately calculate the MAPR following the rules for calculating and disclosing the “Annual Percentage Rate (APR)” for credit transactions under Regulation Z based on the MAPR charges?</p>			
<p>13. For open-end credit, does the creditor appropriately calculate the MAPR following the rules for calculating the effective annual percentage rate for a billing cycle as set forth in 12 CFR 1026.14(c) and (d) of Regulation Z (as if a creditor must comply with that section) based on the MAPR charges?</p>			
<b>Mandatory Loan Disclosures</b>			
<p>14. Does the creditor properly provide each covered borrower with required information before or at the time the borrower becomes obligated on the transaction or establishes an account for the consumer credit, (or at a later time provided for in Regulation Z, if any), including:</p> <ul style="list-style-type: none"> <li>A statement of the MAPR applicable to the extension of consumer credit;</li> <li>Any disclosure required by Regulation Z, which shall be provided only in accordance with the requirements of Regulation Z that apply to that disclosure; and</li> <li>A clear description of the payment obligation of the covered borrower, 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.</li> </ul>			
<p>15. Does the creditor provide the statement of the MAPR and the clear description of the payment</p>			



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Examination Checklist – Military Lending Act	Yes	No	NA
obligation both in writing in a form the covered borrower can keep and orally?			
16. If the creditor elects to provide a toll-free telephone number in order to deliver the oral disclosures to a covered borrower, does the creditor include the toll-free telephone number on either: <ul style="list-style-type: none"> <li>• A form the creditor directs the consumer to use to apply for the transaction or account involving consumer credit; or</li> <li>• The written disclosure the creditor provides to the covered borrower?</li> </ul>			
17. If the creditor elects to provide a toll-free telephone number in order to deliver the oral disclosures to a covered borrower, is the toll-free telephone number available for a duration of time reasonably necessary to allow a covered borrower to contact the creditor for the purpose of listening to the disclosure?			
<b>Other Limitations</b>			
18. Does the creditor abide by the prohibition on rolling over, renewing, repaying, refinancing, or consolidating consumer credit? Note that this prohibition does not apply to a creditor that is chartered or licensed under Federal or State law as a bank, savings association, or credit union, or when the credit is being extended by the same creditor to refinance or renew an extension of credit that was not covered because the consumer was not a covered borrower at the time of the original transaction.			
19. Does the creditor abide by the prohibitions against requiring covered borrowers to: <ul style="list-style-type: none"> <li>• Waive their rights to legal recourse under any otherwise applicable law;</li> <li>• Submit to arbitration or other onerous legal notice provisions in the case of a dispute; or</li> <li>• Provide unreasonable notice as a condition for legal action?</li> </ul>			
20. Does the creditor refrain from: <ul style="list-style-type: none"> <li>• Requiring that a covered borrower repay the obligation by military allotment (note that for purposes of this provision of the regulation, the term “creditor” does not include “military welfare societies” or “service relief societies”);</li> <li>• Prohibiting a covered borrower from prepaying the consumer credit; or</li> <li>• Charging a covered borrower a penalty fee for prepaying all or part of the consumer credit?</li> </ul>			
21. Does the creditor refrain from using the title of a vehicle as security for the obligation involving the consumer credit? Note that this prohibition does not apply when the transaction is expressly intended to finance the purchase of a vehicle and the credit is secured by the vehicle or when the creditor is chartered under Federal or State law as a bank, savings association, or credit union.			
22. Does the creditor refrain from improperly requiring access to a deposit, savings, or other financial account maintained by the covered borrower for repayment by: <ul style="list-style-type: none"> <li>• Obtaining payment through a remotely created check or remotely created payment order; or</li> <li>• Obtaining a post-dated check provided at or around the time credit is extended?</li> </ul>			