

# NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION  
1775 Duke Street, Alexandria, VA 22314

**DATE:** October 2016

**LETTER NO:** 16-CU-07

**TO:** Federally Insured Credit Unions

**SUBJ:** Military Lending Act Examination Approach

Dear Board of Directors and Chief Executive Officer:

Starting October 3, 2016, credit unions must comply with the amended regulation the Department of Defense issued implementing the Military Lending Act.

With this amended rule, NCUA intends to take the same examination approach used with the Consumer Financial Protection Bureau's TILA-RESPA Integrated Disclosures rule in 2015 and its Qualified Mortgage and Ability-to-Repay rules in 2014.

NCUA examiners are instructed to accept a credit union's reasonable and good faith efforts to comply with the new rule during the first examination following the implementation date. NCUA recognizes that some credit unions may need time to implement changes and work with their technology vendors to resolve problems that may arise from extensive testing and use, once their new MLA systems become fully operational. However, credit unions should understand that NCUA's acceptance of good faith efforts for supervision purposes does not shield a credit union from the third-party liability that can arise under the MLA. Your principal and most immediate goal should be to ensure servicemembers and other covered borrowers are receiving the consumer protections the MLA provides.

During the first examination that occurs after October 3, 2016, NCUA field staff will focus on:

- Ensuring that a credit union is aware of amendments to the rule and determining the applicability of the amendments;
- Ensuring that a credit union is making progress in complying with the rule, if applicable; and
- Assessing the quality of a credit union's compliance risk management systems and its policies and procedures for implementing the program.

NCUA has issued three regulatory alerts on the MLA, providing a guidance summary for compliance:

- NCUA Regulatory Alert 16-RA-06, [\*Department of Defense's Interpretive Guidance on Military Lending Act Limitation on Terms of Consumer Credit Extended to Service Members and Dependents\*](#) (September 2016)

- NCUA Regulatory Alert 16-RA-04, [\*Guidance on Regulatory Changes Affecting Military Members\*](#) (March 2016)
- NCUA Regulatory Alert 15-RA-04, [\*Regulatory Changes Affecting Military Members\*](#) (October 2015)

If you have any questions regarding this letter, please contact the Office of Examination and Insurance at [eimail@ncua.gov](mailto:eimail@ncua.gov).

Sincerely,

/s/

Rick Metsger  
Chairman