



Additional Information about the Amended Interpretive Guidance On Military Lending Act Regulation

On December 14, 2017, the Department of Defense (DOD) issued [amended guidance](#) on topics related to the 2015 amendments to the regulation implementing the Military Lending Act (MLA). The regulation affects most non-mortgage related consumer credit a lender extends to active duty service members and their dependents. Credit unions must comply with the regulatory changes. Most of the new provisions became effective on October 3, 2016, while changes related to credit card accounts became effective on October 3, 2017.

The amended interpretive guidance clarifies a number of issues:

- **Negative Equity with Vehicle Purchase Loans and Ancillary Products** – The guidance clarifies when the exclusion from MLA coverage applies to a motor vehicle purchase financing transaction involving negative equity—when the loan balance on a trade vehicle is greater than its value. For example, financing that includes the difference between a trade-in vehicle’s value and the amount owed on it may still qualify for that exclusion. The guidance also provides examples of the types of ancillary products included in, and excluded from, the Military Annual Percentage Rate, or MAPR.
- **Statutory Right of Offset** – The guidance affirms a federal credit union may utilize its statutory right to take, and exercise, a security interest in a covered borrower’s accounts. The same may be true for similar rights acquired through a contractual agreement with a covered borrower.
- **Security Interest** – The guidance clarifies a credit union’s ability to acquire a security interest in funds deposited in an account prior to consummation of the consumer credit transaction.
- **Covered Borrower Checks** – The guidance addresses the rule’s timing provisions for qualifying for the optional safe harbor when identifying covered borrowers.

For More Information

The DOD issued the first set of interpretive guidance in the form of questions and answers on August 26, 2016. NCUA announced this guidance and compliance dates in Regulatory Alert [16-RA-06](#), issued in September 2016.

NCUA provided guidance explaining the MLA regulation in Regulatory Alert [16-RA-04](#), issued in March 2016 and Regulatory Alert [15-RA-04, issued in October 2015](#).

If you have any questions, contact NCUA’s Office of Consumer Financial Protection at (703) 518-1140 or ComplianceMail@ncua.gov, your regional NCUA office, or your state supervisory authority.