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NACA’S STATEMENT IN SUPPORT OF THE EXPANSION OF THE MILITARY LENDING ACT

(WASHINGTON, D.C.) Today, President Obama and the U.S. Department of Defense (DoD) announced important regulations expanding the scope of the Military Lending Act (MLA) to provide new loan protections for U.S. military servicemembers and their families. The finalized rules close the loopholes in the MLA that allowed many financial services to fall outside the scope and protections of the law and put servicemembers at financial risk.

The MLA, bipartisan legislation passed by Congress and signed into law by George W. Bush in 2007, capped interest rates at 36% and applied other key consumer protections to certain forms of credit to servicemembers and their families, after the DoD had exposed that predatory lending undermines military readiness and harms the morale of troops and their families.

One very important consumer protection of the MLA includes a ban on forced arbitration clauses. Buried in the fine print terms of most credit cards, payday loans, and other financial products, forced arbitration clauses are used by big banks and financial institutions to deny servicemembers and consumers their constitutional right to hold the financial institution accountable in court. Forced arbitration requires servicemembers to resolve disputes in a private system, outside of court. Arbitrators are not required to follow the law and there is no public review to make sure the arbitrator got it right.

Before today, the MLA only covered a narrow subset of payday loans, auto title loans and refund anticipation loans, and unscrupulous business often founds ways around the law. In December 2014, NACA submitted comments with five other consumer groups to the DoD in support of expanding the loans and products covered under the MLA.

“NACA applauds the DoD’s new rule to broaden the MLA’s current military financial protections, including the 36% cap and the ban on forced arbitration to a wide range of loans and credit products made to active-duty servicemembers and their families. Today also marks the five- year anniversary of the Dodd-Frank Act, which requires the Consumer Financial Protection Bureau (CFPB) to study the use of forced arbitration and authorizes the Bureau to issue a rule to limit or ban forced arbitration in all consumer contracts for financial services and products under its jurisdiction. We hope the CFPB follows the lead of the DoD to protect all consumers – both military and civilian – with a strong rule to eliminate forced arbitration clauses,” said NACA’s Legislative Director Ellen Taverna.
The National Association of Consumer Advocates (NACA) is a nonprofit association of more than 1,500 consumer advocates and attorney members who represent hundreds of thousands of consumers victimized by fraudulent, abusive and predatory business practices. As an organization fully committed to promoting justice for consumers, NACA’s members and their clients are actively engaged in promoting a fair and open marketplace that forcefully protects the rights of consumers, particularly those of modest means. [www.consumeradvocates.org](http://www.consumeradvocates.org).