



## **AFR Statement on New Defense Department Rules on the Military Lending Act**

New Defense Department rules against predatory consumer lending to military personnel and their families take effect today. With proper enforcement, they should go a long way toward closing the loopholes that for nearly a decade have allowed some high-cost lenders to evade the 36 percent annual interest-rate limit of the Military Lending Act.

In 2007, when the original MLA rules were drafted, the interest rate cap was applied only to the specific types of abusive loans that were most prevalent at the time. That created an opening for lenders to shift to longer-term loan products. The result was [massive evasion](#) of the 36% interest and fee cap designed to protect service members and their families from financial hardship.

The new rules are a victory for military families, who have long been targeted by predatory lenders. In addition, as the Consumer Financial Protection Bureau (CFPB) moves toward the finalization of rules to protect all Americans against predatory consumer lending, the MLA story is a powerful reminder of what can happen when this industry is given any regulatory wiggle room for abuse.