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DEPARTMENT OF CONSUMER AFFAIRS AND MAYOR'S OFFICE OF VETERANS' AFFAIRS URGE DEPARTMENT OF DEFENSE TO FINALIZE AND STRENGTHEN NEW REGULATIONS TO PROTECT MILITARY FAMILIES FROM PREDATORY CREDIT PRODUCTS

The Department of Consumer Affairs (DCA) and Mayor's Office of Veteran's Affairs (MOVA) today urged the U.S. Department of Defense (DoD) to finalize strong regulatory changes to better protect military families against high-cost credit products. DCA and MOVA support the DoD's proposal and called on them to also consider applying the protections to rent-to-own transactions and so-called "courtesy" overdraft protection. DCA Commissioner Julie Menin and MOVA Commissioner Loree Sutton today is also submitting a [joint letter](#) (link to: Letter-MLARegulations11-10-14.pdf) to DoD supporting their proposed revisions to the Military Lending Act (MLA) regulations, which would extend coverage to additional credit products and improve the efficacy of existing protections.

"Through our Office of Financial Empowerment and our extensive consumer protection work, we have seen the negative impacts that predatory lending has on the financial stability of some of the most vulnerable populations, which often include our community of veterans and active-duty service members," said DCA Commissioner Julie Menin. "We applaud the Department of Defense for proposing these much-needed changes to the Military Lending Act regulations and urge them to finalize strong, comprehensive rules to help stop predatory lenders from the reprehensible practice of targeting those who risk their lives to protect the American people."

"As Commissioner of the New York City Mayor's Office of Veterans' Affairs, I stand shoulder to shoulder with DCA Commissioner Julie Menin to applaud DoD's leadership in closing loopholes and expanding protections to stop those who continue to shamelessly exploit service members and their families for financial gain," said MOVA Commissioner Loree Sutton. "This partnership marks MOVA's collaborative commitment to fully leverage its unique relationship with the Mayor and NYC government agencies and organizations to better serve NYC veterans and their families."

Congress passed the Military Lending Act in 2006 to provide federal protections for active-duty service members and their families against predatory lending products, including payday loans and tax refund anticipation loans. The current regulations' 36 percent military usury cap only applies to a limited number of credit products, and lenders have exploited loopholes in the current rules.

DoD's proposed regulations, which were announced in September, would extend the MLA protections to a broader range of credit products that are not covered by the current rules. In particular, the proposed regulations would apply MLA protections to the broad range of open-end and closed-end "consumer credit" products covered by the Truth in Lending Act with the exception of loans secured by real estate or purchase-money loans, including loans to purchase vehicles. Key provisions of DoD's proposal include:

- Limiting interest and fees charged for covered credit products to no more than a 36 percent Military Annual Percentage Rate (MAPR), which includes all interest and fees associated with the loan. Credit card accounts would be permitted to exclude reasonable and customary fees from the MAPR. New York States civil and criminal usury caps (16 percent and 25 percent) protect New Yorkers from some usurious loans, but this would protect New York City's veterans from returning to civilian life with indebtedness resulting from high-cost credit obtained when stationed outside of New York and would also protect the city's service members and their families from the numerous types of credit not subject to the state cap.
- Requiring creditors to provide military borrowers with additional disclosures, including a statement that he or she should seek other options than high-cost credit, to include financial counseling and assistance from the Military Aid Societies.
- Improving the process by which covered borrowers are identified by allowing lenders to assess whether borrowers are covered by the MLA by checking their status in an existing, publicly-available online DoD database. Lenders who used the database would receive a safe harbor from liability under the MLA.

The letter also urges DoD to consider applying MLA protections to rent-to-own and fee-based overdraft services. Overdraft occurs when a financial institution permits a transaction to go through when a borrower lacks sufficient funds, rather than declining the transaction. Rent-to-own often takes the place of traditional credit for many low-income consumers. Though they are not covered by the Truth in Lending Act definition of "consumer credit," both rent-to-own transactions and fee-based overdraft function as credit and often come with staggeringly high fees that are often equivalent of triple or quadruple digit APRs.

DCA will also be adding a field on its complaint form for members of the military to help identify scams targeting this population. Military members who are being harassed by debt collection agencies should file a complaint with DCA online at [nyc.gov/consumers](http://www.nyc.gov/consumers) (link to: <http://www.nyc.gov/consumers>) or by calling 311. The

online form in English and Spanish now includes the field and it will be added to additional languages soon. MOVA will be educating and informing its stakeholders as well as identifying and tracking individuals throughout NYC who report predatory financial practices; connecting them directly with DCA Financial Empowerment Centers to ensure timely financial and legal support for those who have been wronged. Going forward, this collaborative partnership between DCA and MOVA will leverage their respective capabilities to better serve NYC veterans and their loved ones.

The Department of Consumer Affairs (DCA) licenses, inspects, and educates businesses, mediates complaints, educates consumers, and offers free financial counseling and safe banking products. DCA enforces the Consumer Protection Law, the Paid Sick Leave Law and other related business laws throughout New York City and licenses nearly 80,000 businesses in 55 different industries. Through targeted outreach, partnerships with community and trade organizations, and informational materials, DCA educates consumers and businesses alike about their rights and responsibilities. DCA's Office of Financial Empowerment assists low-income New Yorkers with innovative programs and services to increase access to high-quality, low-cost financial education and counseling, safe and affordable mainstream banking, and access to income-boosting tax credits and savings. For more information, call 311 or visit DCA online at [nyc.gov/consumers](http://www.nyc.gov/consumers) (link to: <http://www.nyc.gov/consumers>) or on its social media sites, [Twitter](http://www.twitter.com/nycdca) (link to: <http://www.twitter.com/nycdca>), [Facebook](http://www.facebook.com/nycdca) (link to: <http://www.facebook.com/nycdca>), [Instagram](http://www.instagram.com/nycdca) (link to: <http://www.instagram.com/nycdca>), and [YouTube](http://www.youtube.com/nycdca) (link to: <http://www.youtube.com/nycdca>).

MOVA serves approximately 210,000 veterans in the 5 boroughs and remains committed to ensuring that New York City veterans, and their loved ones, receive the best public and private resources New York City has to offer. MOVA works with the U.S. Department of Veterans Affairs (VA), the New York State Division of Veterans Affairs (NYSDVA), New York City Agencies, veteran's organizations, community-based organizations and other stakeholders to offer services to veterans, their dependents and survivors; while encouraging innovative partnerships to ensure creative problem solving. Veterans and their families can reach out to MOVA for assistance by calling 311, or by visiting [nyc.gov/veterans](http://www.nyc.gov/veterans) (link to: <http://www.nyc.gov/veterans>), or by visiting its social media on [Facebook](https://www.facebook.com/nycveterans?sk=wall) (link to: <https://www.facebook.com/nycveterans?sk=wall>) or [Twitter](https://twitter.com/nycveterans) (link to: <https://twitter.com/nycveterans>).