

# UUU AND THE MLA

**Q4  
2017:**

The Department of Defense (DOD) issued the following interpretation of the Military Lending Act Rule (MLAR): **Creditors providing credit-related products and services, like GAP, must comply with a full range of duties and restrictions imposed by the MLAR.**

**Results:**

Dealerships and lenders across the U.S. stopped selling GAP to active-duty members of the military and their dependents.

**February  
2020:**

The DOD reverted to its original interpretation of the MLAR rule which exempts auto loans used to also finance GAP from MLAR compliance.

## WHAT DOES THIS MEAN?

**DEALERS MAY NOW RESUME SELLING GAP TO ACTIVE-DUTY MEMBERS OF THE MILITARY AND THEIR DEPENDENTS.**

**AUTO LOANS THAT INCLUDE THE FOLLOWING ARE REQUIRED TO BE MLAR-COMPLIANT:**

- CASH-OUT FINANCING
- CREDIT LIFE
- CREDIT DISABILITY



### MLAR DUTIES AND RESTRICTIONS:

Dealers are required to determine if a borrower is covered by the MLAR before extending credit.

For those borrowers covered under the MLAR, dealers and lenders must calculate a military annual percentage rate (MAPR).

**THE MAPR INCLUDES FEES NOT TRADITIONALLY COUNTED AS FINANCE CHARGES (EX. APPLICATION FEES) AND IS CAPPED AT 36 PERCENT.**

Any arbitration provisions in your retail installment contracts must not be applicable to borrowers covered under the MLAR. This can be done via an addendum or by using an alternate retail installment contract with those provisions removed.

Dealers and lenders are required to provide additional written and verbal disclosures that are only pertinent to consumers covered by the MLAR.



For more information on ensuring compliance within your dealership, contact EFG at 800-527-1984.

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