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MADIGAN URGES DEPT. OF DEFENSE TO STRENGTHEN PROTECTIONS FOR SERVICEMEMBERS TARGETED BY PREDATORY LENDERS

Chicago — Attorney General Lisa Madigan today urged U.S. Secretary of Defense Chuck Hagel to strengthen regulations under the federal Military Lending Act (MLA) to ensure servicemembers are better protected from abusive lending practices.

Joined by 12 other Attorneys General, Madigan submitted a letter to Hagel in response to proposed new rules under the MLA. In 2007, Congress passed the MLA, establishing a 36 percent cap on interest and fees on certain consumer credit transactions with servicemembers. However, the U.S. Department of Defense's regulations currently limit the protections to three narrow definitions of consumer credit:

- Payday loans (only covering loans of up to \$2,000, for a term of 91 days or less);
- Vehicle title loans: (only covering loans for a term of 181 days or less); and
- Tax refund anticipation loans.

The limited lending products covered by the MLA have allowed predatory lenders to structure their high-cost loans in a way that evade the regulations. For instance, lenders offer payday loans starting at \$2,001 or require a minimum repayment period of 92 days, allowing them to avoid the 36 percent interest rate cap.

"Servicemembers are unfortunately prime targets for predatory lenders," Madigan said. "The Department of Defense must close the loopholes in the law because those who serve our country don't deserve to be defrauded by predatory lenders."

Madigan and the other attorneys general stressed that the protections in the MLA should apply uniformly to all consumer credit loans. They also raised concern about a lack of coverage for any open-ended or revolving payday loans; any bank loan that is secured by funds on deposit, such as overdraft loans; and any retail sales credit loan or other similar rent-to-own transaction, including those where the loan claims to be "secured" by personal property that bears, in actuality, no relationship to the amount of the credit advanced.

Attorneys General from the following states joined Madigan in the letter to Hagel: California, Delaware, Florida, Indiana, Kentucky, Montana, North Carolina, Nevada, New York, Oregon, Tennessee and Washington.

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