



OCC Releases Military Lending Act Booklet

June 29th, 2018 | and [Erica A.N. Kramer](#)

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On May 11, 2018, the Office of the Comptroller of the Currency issued a new booklet on the Military Lending Act as part of its *Consumer Compliance* series included within the *Comptroller's Handbook*. OCC examiners will use the booklet when examining and supervising national banks, federal savings associations, and federal branches and agencies of foreign banks. The booklet includes not only a thorough discussion of the expanded MLA Regulations, issued in July 2015, but also incorporates the Department of Defense's interpretive rules issued in August 2016 and December 2017.

The booklet urges examiners to apply its information "consistent with each bank's individual circumstances." Examiners must select which procedures within the booklet to apply, after completing one of the *Comptroller Handbook's* more general compliance core assessments, such as its "Community Bank Supervision" guidance or its "Large Bank Supervision" booklet. The MLA booklet also suggests that consumer complaint information could be helpful in determining which MLA examination procedures are needed in a particular situation.

The booklet begins with a discussion of the risks for banks that are associated with the MLA. The OCC has defined the following eight categories of risks that it applies for bank supervision purposes: credit, interest rate, liquidity, price, operational, compliance, strategic, and reputation. However, the agency notes that any product or service can expose a bank to multiple risks, and examiners must be aware of the potential for risks to be interdependent. In the eyes of the OCC, the MLA can result in operational, compliance, strategic, and reputational risks to banks. Before embarking on a more detailed description of the MLA's requirements, the booklet describes each of these categories of risks and indicates that banks are expected to manage these risks by implementing "an effective risk management system appropriate for the size and complexity of its operations."

Next, the booklet walks through the MLA's requirements, including those now applicable to credit card products. Because the booklet is designed as a resource for OCC examiners, it contains practical tips for examiners to use as they conduct their exams. For example, it provides a handy "MLA Applicability Flowchart" designed to help determine whether the MLA applies to a particular extension of credit. It also contains a helpful appendix that provides a brief comparison of the availability of protections under the SCRA and the MLA, as well as one devoted to comparing the treatment of certain fees and charges under the MLA and Regulation Z. The booklet also includes examples illustrating how to determine whether a bona fide fee assessed on a credit card is reasonable and, thus, can be excluded from the MLA's Military Annual Percentage Rate

calculation, in addition to MAPR calculation examples. The booklet closes with the OCC's MLA Examination Procedures, which provide further particulars as to how the OCC expects a bank to structure its compliance management system, policies, procedures, practices, and training to assure compliance with the MLA.

Overall, the booklet contains a thoughtful and comprehensive discussion of the MLA's evolution and current requirements, as well as practical tips and considerations when dealing with MLA issues. This makes the booklet a noteworthy resource for all creditors, not just banks, as they develop their MLA compliance management systems and assess their level of current compliance.

The booklet is available at: <https://www.occ.gov/publications/publications-by-type/comptrollers-handbook/military-lending-act/pub-ch-mla.pdf>.

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