

Florida Enforces Military Lending Act on State Level

The Military Lending Act (MLA) was enacted to protect and honor servicemembers and protect them from financial hardship posed by predatory lenders. The MLA ensures servicemembers and their families have the necessary information to make the best possible financial decisions.

Servicemembers are entitled to the following rights under the MLA:

- Interest Cap – Military Annual Percentage Rate (MAPR) caps the annual interest rate on covered loans at 36% for the following: interest, fees, credit service charges, credit renewal charges, credit insurance premiums and fees for credit-related products in connection with the transaction.
- Interest and Fee Disclosure - Lenders must disclose the interest rates and fees servicemembers owe verbally and in writing before loans are provided. Lenders must also include a disclosure state in loan applications to identify covered borrowers.
- Roll-Over Loans – Lenders cannot automatically “roll-over” or refinance the same loan, unless the new loan benefits the servicemember. This rule helps to ensure servicemembers are not caught up in a cycle of paying back a more expensive loan every few months.
- Mandatory Waivers of Consumer Protection Laws – Lenders cannot require servicemembers to waive state or federal laws, including the Servicemembers Civil Relief Act (SCRA). The SCRA protects servicemembers from being sued while on active duty.
- Mandatory Arbitration - Lenders cannot require a servicemember to attend arbitration. This is when an outside party decides how a dispute will be settled instead of the court(s).
- Mandatory Allotment – Lenders cannot require a servicemember to set up a voluntary allotment in order to obtain a loan. Paying by allotment can also lead to forfeiting legal protections, such as the ability to dispute a payment.
- Prepayment Penalty – Lenders cannot charge a penalty when a servicemember pays back a portion of or all of a loan early.
- Consumer Loans – Most types of consumer loans that are subject to a finance charge or payable over four installments are protected under the MLA. This includes payday loans, vehicle title loans, refund anticipation loans, deposit advance loans, installation loans, unsecured open lines of credit and credit cards. However, the MLA excludes loans secured by real estate mortgages or loans used to finance the purchase of a vehicle.

Effective October 3, 2016, amendments to the MLA authorize the Office of Financial Regulations to enforce provisions of the MLA. OFR will have the authority to deny a license or take disciplinary action against state-licensed financial institutions, consumer finance lenders, payday lenders and vehicle title lenders that violate any provision of the MLA. If OFR investigates and determines that a lender has violated the terms or regulations of the MLA, it may take legal actions to seek remedies for the violation. For more details on OFR’s authority to enforce the MLA, you may read SB 626 in its entirety at the following link: www.flsenate.gov/Session/Bill/2016/0626/BillText/er/PDF.