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For immediate release: Sept. 26, 2014

MCRC Applauds New DoD Rules to Protect Troops from Payday Lending

Baltimore, MD: The Maryland Consumer Rights Coalition (MCRC) today applauded the Department of Defense for issuing new proposed rules to protect servicemembers and their families from predatory lending practices. The new rules update the implementation of the Military Lending Act, bipartisan legislation passed by Congress and signed into law by President George W. Bush, to close loopholes predatory lenders have used to prey on members of the armed services.

“The military has rightly identified protecting members of the armed services and their families from abusive lending practices as vital to military readiness,” MCRC Executive Director Marceline White said. “Exploitation, in any form, of the very people who protect our country is clearly wrong. We believe the rules announced today will crack down on predatory practices and strengthen our community as a whole. The fewer people trapped in a cycle of debt, the better.”

The Military Lending Act limited loans to members of the military to a 36% annual percentage interest rate. But predatory lenders have used loopholes and created new, sky-high interest rate loan products to circumvent the narrow definitions the Department of Defense used in its original regulations implementing the law.

Often marketed as a quick fix to a cash crunch, the defective and predatory loans currently targeting members of the military are designed to trap them in a cycle of debt they cannot escape. Many lenders charge effective interest rates of more than 400%, when the exorbitant fees and worthless insurance products often sold with loans are factored in to the cost of the loans.

“The last few years have shown us that predatory lenders are, unfortunately, innovative, and they often have friends in high places,” Marceline White notes. “Today’s new rules are a mark of the Department of Defense’s true commitment to doing what is in the best interest of servicemembers.”

MCRC opposes predatory lending practices and has been a strong advocate of reforms to protect consumers and their families.

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The Maryland Consumer Rights Coalition (MCRC) advances fairness and justice for Maryland consumers through research, education, and advocacy. Find MCRC on the web at www.marylandconsumers.org, on Facebook at facebook.com/mdconsumers and on Twitter at twitter.com/mdconsumers.