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To: TADA Members  
From: Karen Phillips  
Date: February 28, 2020  
Re: Military Lending Act (MLA)  
*Effective February 28, 2020*

### MEMORANDUM

The MLA interpretative guidance from the Department of Defense (DOD) is amended regarding the financing of a credit-related product or service such as Guaranteed Auto Protection (GAP) insurance or a credit insurance premium when credit is extended on the purchase of a motor vehicle.<sup>1</sup>

Today's action should give a creditor the assurance that a motor vehicle can now be financed with the inclusion of a credit related product such as GAP to a member of the Service and their dependents.

#### Background

The MLA<sup>2</sup> imposes limitations on the cost and terms of certain extensions of consumer credit to Service members and their dependents as well as providing protections relating to credit transactions.

The purchase of a motor vehicle in a credit transaction when the credit is secured by the purchased vehicle is EXEMPT from the MLA.<sup>3</sup> An interpretive rule, published 12/14/17, Q&A #2, did **not** exempt the transaction if it also financed a credit related product or service.<sup>4</sup> This interpretation is now withdrawn allowing the DOD to conduct further analysis.

#### Summary

The effect of the DOD's withdrawing of its Q&A #2 interpretation gives a creditor the assurance to include a credit related product or service, such as GAP, in the financing of a motor vehicle to a member of the Service and their dependents and the transaction's continued exemption from the MLA.

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<sup>1</sup>85 *FedReg* 11842 - 11844 (Feb. 28, 2020), 32 CFR Part 232.

<sup>2</sup>10 U.S.C. § 987.

<sup>3</sup>32 CFR § 232(f)(1)(ii).

<sup>4</sup>82 *FedReg* 58739 - 58742 (Dec. 14, 2017).