



DoD Extends Time to Request Access to DoD Database for Identifying Military Status

Under amended regulations implementing the Military Lending Act (MLA), creditors are required to determine the military status of applicants for specified covered loans. Recently, the Department of Defense (DoD) agreed to extend until February 15, 2016 the deadline to request direct access to the Defense Manpower Data Center (DMDC) database. The DoD's decision came in response to a request from the American Bankers Association after the trade group became aware through a teleconference on MLA held on January 12, 2016 that financial institutions had the option to directly connect with the DMDC database.

Recall that in July 2015, the DoD issued a final rule amending its MLA regulations to, among other things, broaden the scope of credit transactions subject to MLA. 80 FR 43560. With certain exceptions, compliance with the final rule is not mandatory until October 3, 2016. The MLA, among other things, limits the annual percentage rate (APR) on covered "consumer credit" to a maximum of 36 percent. Under the amended rule, "consumer credit" is defined consistently with the definition of "consumer credit" under the Truth in Lending Act and Regulation Z and, thus, includes both consumer-purpose closed-end loans and open-end credit. Examples of covered consumer credit include personal unsecured loans, overdraft lines of credit, and vehicle title loans (which are non-purchase money auto loans). However, the rule does not apply to residential mortgages – meaning transactions secured by an interest in a dwelling, including a transaction to finance the purchase or initial construction of a dwelling, any refinance transaction, home equity loan or line of credit and reverse mortgage. Also exempt are purchase-money motor vehicle loans, extensions of credit to finance the purchase of personal property when the credit is secured by the property being purchased and credit cards, but credit cards are only exempt from coverage until October 3, 2017.

The amended regulations create a safe harbor for determining whether covered consumer credit is offered or extended to a covered borrower, and thus subject to MLA regulations. In particular, creditors are permitted to determine an applicant's military status using either (i) the DoD's database, or (ii) a consumer report issued by a credit bureau that provides a code or other indicator which describes the applicant's military

status. According to the January 2016 teleconference, creditors also have the option to have direct access the DMDC database. Direct connectivity with DMDC would provide instantaneous data critical to making quick credit decisions. However, in order to obtain direct access to the DMDC, creditors had until February 1, 2016 to contact the DoD to request to be able to directly connect with the database.

Because many creditors may not have been aware of this option, the American Bankers Association requested that the DoD extend the deadline so that creditors could indicate their interest in the direct connectivity option. As a result, creditors have until February 15, 2016 to email the DoD at **dodhra.dodc-mb.dmdc.mbx.mla@mail.mil** to request direct connection to the DMDC database. ABA suggests that the subject line of the email read "Request of [bank name] for direct connection to the DMDC database to determine military status." Creditors should then repeat the request, along with the bank's full name, address and contact information in the body of the email.