

Military Payday Loans

By Kevin T. Lonergan,

Garrison Legal Assistance Attorney

The Legal Assistance Office has recently fielded several questions from military members on Military Payday Loans. The Legal Assistance Office would like to remind service members that since 1 January 2007, federal law prohibits charging more than 36% interest on the principal loan amount to military members. This interest rate includes; fees, service charges, renewal charges, credit insurance or any other product sold with the loan in calculating the interest rate.

This law prohibits:

Requiring military members to set up an allotment as a condition of receiving the loan.

Requiring the use of a vehicle title as security to a member's financial account as security for the loan.

Using a check or any other access to a member's financial account as security for the loan.

Lenders from renewing, repaying refinancing, rolling over, or consolidating consumer credit using the proceeds of other credit granted by the same lender to the service member.

Requiring service members to waive their rights under the Service Members Civil Relief Act or any other federal law.

Denying the opportunity for military members to pay off the loan early and any penalties for early payments.

Any unreasonable clauses in the contract designed to make it difficult for military members to take a creditor to court.

States from allowing creditors to violate state consumer loan protection laws for military members who are nonresidents.

If you have any further questions regarding the legality of military payday loans please consult the Legal Assistance Office. For appointments call Paralegal Venita Gatheright @ 782-1443.