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Office of Thrift Supervision
Department of the Treasury

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MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS

FROM: Montrice Godard Yakimov, Managing Director
Compliance and Consumer Protection *Montrice Godard Yakimov*

SUBJECT: Consumer Credit Extended to Service Members and
Dependents: Compliance Examination Procedures

Background

Congress enacted “Limitations on Terms of Consumer Credit Extended to Service Members and Dependents,” commonly known as the “Talent Amendment” in 2006. The Talent Amendment limits the cost associated with payday, vehicle title, and refund anticipation loans for service members and their dependents (covered transactions) and requires additional disclosures and protections. Implementing rules issued by the Department of Defense (DoD) in 2007¹ restrict:

- Interest to a 36 percent “military annual percentage rate” that comprises all fees and charges, including those for ancillary products sold in connection with the transaction;
- The amount and types of fees that may be charged;
- Rollovers and refinancing; and
- The use of a check or other method of access to a covered borrower’s account.

The DoD rules also require that certain disclosures be provided before a covered transaction occurs, and prohibit certain practices, such as requiring mandatory arbitration. Savings associations offering any covered transactions may be subject to criminal and civil penalties if they violate the rule, and covered transactions that are not in compliance with the rule will be deemed void from inception.

¹ See 72 Fed.Reg 50580 (Aug.31, 2007) <http://files.ots.treas.gov/25262.pdf>

Examination Procedures and Questionnaire

Together with the other financial institution regulatory agencies, OTS developed the procedures for examining for compliance with the DoD rules. The procedures are intended to ensure thorough, but targeted, examinations of associations that offer or purchase covered transactions. See [OTS Examination Handbook Section 1356, Military Service Member Protections](#). To further assist examiners, an examination questionnaire is included at the end of the procedures. For more information, please contact Suzanne McQueen, Consumer Regulations Analyst, at (202) 906-6459.