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Active Duty Military — Managing compliance through the customer life cycle





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Introducing:

- **Richard McKinnon**
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- **Tom Sikora**
Chase
- **Bill Butler**
Experian
- **Paul DeSaulniers**
Experian

MILITARY PROTECTIONS EXTENDED

“ The CFPB strongly supports the Department’s efforts to strengthen consumer protections for our nation’s military families” ...”As one of the agencies responsible for enforcing the Military Lending Act, we stand ready to stop illegal lending to military families. ”

— Richard Cordray, CFPB



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The facets of compliance



Market and economic impacts of military lending

Regulatory



- Multiple regulators: CFPB; FCC; FTC
- Consumer disputes are increasing by over 40% on average the last three years
- New MLA rulings require compliance at origination for safe harbor

Economic



- Increased legal and compliance fees
- Potential class action litigation, settlements and lawsuits
- Millions of dollars in fines and penalties for non-compliance

Social / customer



- Digital customer needs
- Customer treatment strategies are essential, especially for military personnel and their families
- Customer treatment and retention

Technology



- Single customer, multiple accounts
- Seamless workflow process at origination

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The financial impact of non-compliance



- Regulatory enforcement
 - ▶ CFPB
 - ▶ FTC
 - ▶ Attorney General
- Fines and penalties
- Public impact



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Essential regulations





Military Regulation and Consumer Protection



Military Lending Act (MLA)

- Protects military personnel and their families against predatory lending
- Ongoing protection through the customer life cycle

Military Lending Act revisions in July, 2015

- Extends consumer protection to additional lending types
- Allows safe harbor for lenders; but information must be accessed only at origination

The Servicemembers Civil Relief Act (SCRA)

- Protects consumers on active duty
- Ongoing protection while on active duty and for a period after returning from an active duty status



Servicemembers Civil Relief Act

Servicemembers Civil Relief Act (SCRA)

- Provides a range of protections in civil matters for servicemembers to allow them to devote their attention to the defense needs of the nation and to help relieve stress on the family members of those deployed
- Provisions in the SCRA may postpone or suspend certain obligations, such as outstanding credit card debt, mortgage payments, pending trials, taxes and terminations of leases for certain servicemembers
- Extends protection to the consumer while they are on active duty service and thereafter for a period of time



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SCRA compliance

What?

- Lenders need to identify active duty military servicemembers to ensure compliance

When?

- SCRA applies to the treatment of existing loans or regulated consumer obligations – as the consumer enters or leaves active duty
 - ▶ Interest rate caps
 - ▶ Mortgage and / or lease protection

How?

- Lenders need to identify who is in active military duty by either notification from the consumer or through ongoing identification of an active duty status
- Lenders can obtain information directly or indirectly from the Department of Defense's DMDC database



Military Lending Act



Military Lending Act of 2006 (MLA)

- Protects military families from predatory lending
- Caps annual interest rates for consumer credit to 36%
- Requires written and oral disclosure of interest rates and payment obligations before a loan is issued
- Focus on payday lending, car title loans, and refund anticipation loans



Military Lending Act



MLA Final Rule – 2015

- Extends MLA protections, including a 36% Military Annual Percentage Rate (MAPR) cap, to a wider range of credit products
- Modifies the MAPR to include fees for credit-related ancillary products sold in connection with the credit transaction, finance charges, and certain application and participation fees
- Provides a safe harbor for creditors ascertaining whether a consumer is covered by the final rule's protections
- Modifies the existing prohibition on rolling over, renewing or refinancing consumer credit
- Subjects creditors to civil liability and administrative enforcement for MLA violations



MLA compliance

What?

- To comply with MLA, lenders need to identify who is in a protected status

When?

- MLA protects “covered borrowers”, which includes both the active duty servicemember and their dependents
 - ▶ Interest rate caps
 - ▶ Mortgage and/or lease protection

How?

- Lenders need to identify who is in active military duty at origination
- Lenders need to obtain information directly or indirectly from the Department of Defense’s DMDC database



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Panelist discussion Q&A

Bank of America

Chase

Experian





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What's next?





Experian's role

MLA §232.5(ii)

“ To determine whether a consumer is a covered borrower, a creditor may verify the status of a consumer by using a statement, code, or similar indicator describing that status, if any, contained in a consumer report obtained from a consumer reporting agency that compiles and maintains files on consumers on a nationwide basis, or a reseller of such a consumer report... ”

Credit agency role

- MLA covered borrower status segment, code, or indicator to describe the status
- Potential product enhancements
- Credit reports
- Pre-screen applications
- Pre-qualification applications

Your call to action

Understand the applicable laws and which consumers are protected

Setup processes to identify and flag consumers appropriately

Apply industry best practices and consistent treatment strategies



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Experian

1. How would you rate the presenters' knowledge?
 Excellent Above average Average Below average Poor

2. How would you rate the presenters' delivery?
 Excellent Above average Average Below average Poor

3. How would you rate the presenters' time management?
 Excellent Above average Average Below average Poor

4. How useful was the session information?
 Very useful Somewhat useful Neutral
 Somewhat not useful Not useful

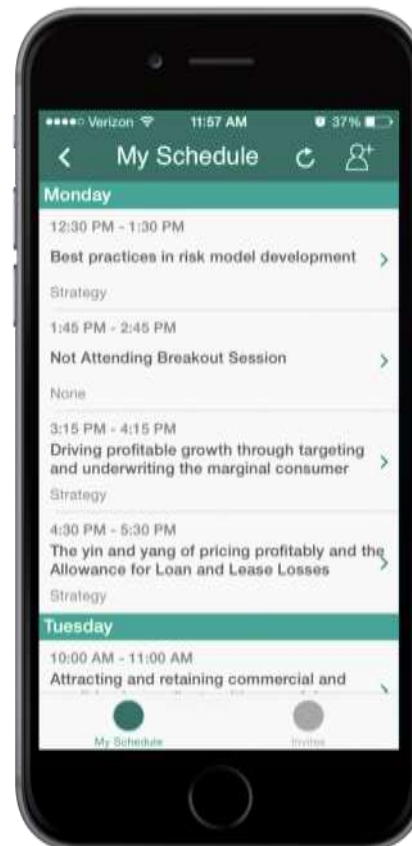
5. How would you rate the session on being current?
 Very current Somewhat current Neutral
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6. How relevant was the session content to the title and description?
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7. How would you rate the level of content?
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8. Why did you attend this session? (Check all that apply)
 Relates to my business The presenter(s) Interest in new product
 Compelling session description Increase product knowledge

9. Do you have any additional comments?





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