

Burrell Printing

Company Incorporated

www.BurrellPrinting.com

Department of Defense (DoD) - Military Lending Act (MLA)

Dear Pawnbroker,

This letter is the promised follow up to the letter we sent you in June concerning the Department of Defense (DoD) Military Lending Act (MLA).

The only new update is that a Midwestern pawnbroker, along with the NPA, has filed a suit against the DoD; however more than likely it will not be heard until after the October implementation date. Therefore the fact remains that these new MLA regulations will go into effect October 3, 2016.

One question everyone has been asking us is, "Are the pawn tickets changing?". For the majority of pawnbrokers the answer is, "No"; however there are a couple of situations where ticket modifications may be needed. If your ticket contains an arbitration agreement or a statement something like, "This loan constitutes the entire agreement", then your ticket will need to be reviewed.

For pawnbrokers who plan to be making these MLA loans, you will be required to give the MLA borrower a specific written MAPR disclosure. After much deliberation, the consensus is that this written MAPR disclosure is best given as a separate document.

The reasoning behind this decision is as follows:

- There is no requirement that this written MAPR disclosure be on the pawn ticket.
- There are no special MLA disclosure requirements on loans given to borrowers who DO NOT qualify for an MLA reduced rate loan.
- The MAPR disclosure is ONLY required to be issued on loans to borrowers who DO qualify for an MLA reduced rate loan.
- For the majority of pawnbrokers, the number of borrowers qualifying for an MLA reduced rate loan will be very, very low.
- The MLA disclosure quotes the reduced 36% MAPR. Having the MAPR disclosure printed on a pawn ticket given to NON-QUALIFIED borrowers would open the door to confusion and unnecessary questions.

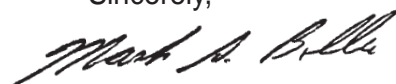
We have developed a new MAPR disclosure that meets the MLA disclosure requirements. It is a two-copy form, one copy for the borrower and the other for your records. This disclosure has a place for you to note the date and related pawn ticket number, plus the customer will sign it stating that he or she has received the disclosure both in writing and orally.

Enclosed you will find a sample of this MAPR disclosure along with pricing and ordering information. We realize that for most pawnbrokers this will be a seldom used document; however it is a must have document in order to be prepared and remain in compliance. For this reason, we have reduced the minimum order quantity to only 100 forms.

We have also enclosed a basic information sheet on MLA compliance. It covers the basics and helps put the overall compliance procedures into perspective.

If you have any questions, comments, or would like to receive a copy of the Military Lending Act, please give me a call or email.

Sincerely,



Mark Bolles - President

mbolles@BurrellPrinting.com

The content of this letter is not intended to be legal advice. Rather, the intent of the letter is merely to inform and may or may not be correct, complete or current at the time of reading. The content is not intended to be used as a substitute for specific legal advice or opinions. We here at Burrell highly encourage you to contact your attorney to review these new regulations.

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Department of Defense (DoD) - Military Lending Act (MLA)

Recap of Information Previously Sent:

The effective date of the expanded MLA is October 3, 2016.

A brief list (not all) of the new MLA regulations and how they affect your pawn transactions follows:

- Cap the total APR to 36% on all pawn transactions made to any Active Duty Military Personnel or their dependents.
- Require that a specific written and oral Military Annual Percentage Rate Statement be given, along with the pawn ticket, to Active Duty Military Personnel or their dependents.
- It is the pawnbroker's responsibility to determine whether the borrower qualifies for the special 36% MAPR required by the regulation. It is not the borrower's responsibility to know or to inform the pawnbroker that he or she qualifies.
- Require that ALL pawnbrokers be in full compliance with all state laws, and the Federal Truth in Lending Act, as well as these new MLA regulations, on all pawn transactions whether military or not.
- Violations for non-compliance are harsh: voided pawn tickets, civil liability of not less than \$500 per violation, punitive damages, costs of action, attorney's fees, fines and/or up to one year in prison.

Steps to Comply with the MLA:

- 1) Determine if the borrower qualifies for an MLA reduced rate loan.
 - (A) Pawnbrokers need to use a method that enables them to identify covered borrowers and to give those borrowers the special MLA regulation terms.
 - (B) The DoD's online database, which we are informed will be available to pawnbrokers on October 3, 2016, is the only method to perform covered borrower checks that qualifies for the regulation's "safe harbor" provision. Checking customers against the DoD's online database protects you, the pawnbroker, from consumer litigation, federal and state civil investigations and enforcement, and criminal prosecution.
 - (C) Whatever method you choose to screen borrowers, you are required to keep records of the checks for five years as proof that the borrower was or was not a covered borrower and to show that you have a system in place to check all borrowers. The non-public personal information received from the DoD's online database or other records should be safeguarded for consumer privacy concerns.
- 2) If your borrower is NOT QUALIFIED for an MLA reduced rate loan, there are no changes; the loan goes forward as normal at your normal rate. No extra disclosures are required.
- 3) If your borrower DOES QUALIFY for the MLA reduced rate loan, then you are required to
 - (A) adjust the total fees charged so that the APR on the ticket is no more than 36%. This 36% (3% monthly) includes ALL FEES associated with making the loan, interest, service charges, storage fees, set-up fees, ticket writing fees, gun fees, appraisal fees, etc. The total APR cannot be over 36%. It does not include back-end fees such as lost ticket fees or notice fees.
 - (B) orally inform the borrower about the MLA rules and the 36% MAPR.
 - (C) have the borrower sign and receive (in addition to the pawn ticket) the required written MLA disclosure.

Military Lending Act - MAPR Disclosure

#11-5560 • 10/3/2016

Brad's Pawn & Gun Shop • 12345 Maine Street • Pflugerville, TX 78660

Military Annual Percentage Rate Disclosure

Federal law provides important protections to members of the Armed Forces and their dependents relating to extensions of consumer credit. In general, the cost of consumer credit to a member of the Armed Forces and his or her dependent may not exceed an annual percentage rate of 36 percent. This rate must include, as applicable to the credit transaction or account: The costs associated with credit insurance premiums; fees for ancillary products sold in connection with the credit transaction; any application fee charged (other than certain application fees for specified credit transactions or accounts); and any participation fee charged (other than certain participation fees for a credit card account).

Transaction Date _____ Related Pawn Transaction # _____

I acknowledge receiving this Military Annual Percentage Rate Disclosure, both orally and in writing, along with the related pawn contract.

Covered Borrower's Signature

bpc #11-55-MLA-MAPR Disclosure - 6/28/2016 - Burrell Printing Co., Inc. - 800-531-5234

<u>100</u>	<u>300</u>	<u>500</u>	<u>1,000</u>	<u>1,500</u>	<u>2,000</u>	<u>2,500</u>
\$40	\$50	\$60	\$85	\$110	\$135	\$160

2 Copy - White / Canary Carbonless Paper

Prices includes overprinting the company's name and address

Burrell Printing Company, Inc. 800-531-5234

Prices subject to change without notice. • Prices listed do not include shipping charges. • August 2016