

Federal Law Impacts Military Payday Loan Customers



To Our Military Customers

On October 1, 2007, a new federal law will become effective that will severely limit the terms under which we can loan to active duty members of the military and their spouses and dependents. As a result, after this date we will no longer be able to offer payday loans to our military customers.

During Congressional debate upon this law, the Department of Defense took the position that payday loans should not be made available to active duty members of the military, their spouses or dependents. While we strongly disagree with this position and continue to believe that payday loans are a valuable choice for short-term credit, we will comply with the new law.

Additional information about this new law and about your options are available in this brochure. We are honored you have chosen us as your lender. We thank you for giving us the opportunity to serve you and hope to have the opportunity to provide other financial services to you in the future.





FREQUENTLY ASKED QUESTIONS



Tell me more about the federal law that eliminates my choice of payday loans as short-term credit.

The John Warner Defense Appropriations Bill, signed into law last year, will become effective on October 1, 2007. This law restricts the terms under which a lender can make a loan to a “covered borrower,” including disallowing the use of post-dated checks and electronic debit authorizations to repay small consumer loans, and limiting the total of charges to a 36% Annual Percentage Rate (APR). These new lending terms eliminate payday loans as a choice for short-term credit for “covered borrowers.”

Who is a “covered borrower?”

This law defines a “covered borrower” as a person with the following status at the time he or she enters into a loan:

- A regular or reserve member of the Army, Navy, Marine Corps, Air Force, or Coast Guard, serving on active duty under a call or order that does not specify a period of 30 days or less, or such a member serving on Active Guard and Reserve duty as that term is defined in 10 USC 101(d)(6); or
- The member’s spouse or the member’s child defined in 38 USC 101(4); or
- An individual for whom the member provided more than one-half of the individual’s support for 180 days immediately preceding an extension of consumer credit.

I was previously, but am no longer, an active duty member of the military. Am I eligible to choose a payday loan?

In this case, you would be eligible to choose a payday loan for short-term credit.

I am married to an active duty member of the military, but I have my own income. I am applying for individual credit. Am I eligible to choose a payday loan?

Unfortunately, you are a “covered borrower” according to the Department of Defense, and we would not be able to make a payday loan to you.

I am in the reserves, but I have not been called to active duty. Am I eligible to choose a payday loan?

As long as you have not been called to active duty for more than 30 consecutive days, you are eligible to apply for a payday loan.

I am a covered borrower, and I have a loan that is due after October 1, 2007. What are my options?

Your loan payment is due and payable on the due date as shown on the loan agreement and we ask that you repay the loan in full on this date. If you are unable to repay the loan in full because your financial circumstances have changed, please talk to your branch representative or call our Customer Service Department at 800.745.1011 about opting into an Extended Payment Plan for no additional fee.

I have a loan that is due after October 1, 2007, and I will be deployed into combat prior to that time and unable to repay my loan as originally planned. What are my options?

If you (or your spouse) are deployed during the term of your loan, or after your loan has gone into default, we will defer collection of the loan through the term of your deployment. There will be no additional interest charged during this deferral period. Please call our Customer Service Department at 800.745.1011 to discuss these options.

I am a covered borrower; can I still choose Moneytree to cash checks, buy money orders, or send wire transfers through Western Union?

The law’s limitations only affect payday loans. You can continue to purchase money orders, send and receive Western Union wire transfers or cash checks at Moneytree.

Who do I contact if I have questions or concerns about applying for short-term credit in the future?

To discuss options for short-term financing, you may contact the commanding officers at the base where you are stationed, the financial institutions located on the base, or the financial counselors assigned to the base.

Who do I contact if I want to register a comment about this law?

You may contact your state’s government officials or the government agency that regulates payday lending in your state. Contact information for government officials and agencies can be found at: <http://www.usa.gov/Contact/Elected.shtml>. Additional information can be found at the Department of Defense website at: www.defenselink.mil.

The information included in this summary is based on preliminary definitions published by the Department of Defense and is subject to change.



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