

1 courses for use by disabled persons authorized to use such
2 courses.

3 **Subtitle F—Other Matters**

4 **SEC. 670. LIMITATIONS ON TERMS OF CONSUMER CREDIT** 5 **EXTENDED TO SERVICEMEMBERS AND DE-** 6 **PENDENTS.**

7 (a) **TERMS OF CONSUMER CREDIT.**—Chapter 49 of
8 title 10, United States Code, is amended by adding at the
9 end the following new section:

10 **“§ 987. Terms of consumer credit extended to mem-** 11 **bers and dependents: limitations**

12 “(a) **INTEREST.**—A creditor who extends consumer
13 credit to a covered member of the armed forces or a de-
14 pendent of such a member shall not require the member
15 or dependent to pay interest with respect to the extension
16 of such credit, except as—

17 “(1) agreed to under the terms of the credit
18 agreement or promissory note;

19 “(2) authorized by applicable State or Federal
20 law; and

21 “(3) not specifically prohibited by this section.

22 “(b) **ANNUAL PERCENTAGE RATE.**—A creditor de-
23 scribed in subsection (a) may not impose an annual per-
24 centage rate of interest greater than 36 percent with re-

1 spect to the consumer credit extended to a covered mem-
2 ber or a dependent of a covered member.

3 “(c) MANDATORY LOAN DISCLOSURES.—

4 “(1) INFORMATION REQUIRED.—With respect
5 to any extension of consumer credit (including any
6 consumer credit originated or extended through the
7 internet) to a covered member or a dependent of a
8 covered member, a creditor shall provide to the
9 member or dependent the following information oral-
10 ly and in writing before the issuance of the credit:

11 “(A) A statement of the annual percentage
12 rate of interest applicable to the extension of
13 credit.

14 “(B) Any disclosures required under the
15 Truth in Lending Act (15 U.S.C. 1601 et seq.).

16 “(C) A clear description of the payment
17 obligations of the member or dependent, as ap-
18 plicable.

19 “(2) TERMS.—Such disclosures shall be pre-
20 sented in accordance with terms prescribed by the
21 regulations issued by the Board of Governors of the
22 Federal Reserve System to implement the Truth in
23 Lending Act (15 U.S.C. 1601 et seq.).

24 “(d) PREEMPTION.—

1 “(1) INCONSISTENT LAWS.—Except as provided
2 in subsection (f)(2), this section preempts any State
3 or Federal law, rule, or regulation, including any
4 State usury law, to the extent that such law, rule,
5 or regulation is inconsistent with this section, except
6 that this section shall not preempt any such law,
7 rule, or regulation that provides protection to a cov-
8 ered member or a dependent of such a member in
9 addition to the protection provided by this section.

10 “(2) DIFFERENT TREATMENT UNDER STATE
11 LAW OF MEMBERS AND DEPENDENTS PROHIB-
12 ITED.—States shall not—

13 “(A) authorize creditors to charge covered
14 members and their dependents annual percent-
15 age rates of interest for loans higher than the
16 legal limit for residents of the State; or

17 “(B) permit violation or waiver of any
18 State consumer lending protections for the ben-
19 efit of residents of the State on the basis of
20 nonresident or military status of a covered
21 member or dependent of such a member, re-
22 gardless of the member’s or dependent’s domi-
23 cile or permanent home of record.

1 “(e) LIMITATIONS.—It shall be unlawful for any
2 creditor to extend consumer credit to a covered member
3 or a dependent of such a member with respect to which—

4 “(1) the creditor rolls over, renews, repays, refi-
5 nances, or consolidates any consumer credit ex-
6 tended to the borrower by the same creditor with the
7 proceeds of other credit extended to the same cov-
8 ered member or a dependent;

9 “(2) the borrower is required to waive the bor-
10 rower’s right to legal recourse under any otherwise
11 applicable provision of State or Federal law, includ-
12 ing any provision of the Servicemembers Civil Relief
13 Act;

14 “(3) the creditor requires the borrower to sub-
15 mit to arbitration or imposes onerous legal notice
16 provisions in the case of a dispute;

17 “(4) the creditor demands unreasonable notice
18 from the borrower as a condition for legal action;

19 “(5) the creditor uses a check or other method
20 of access to a deposit, savings, or other financial ac-
21 count maintained by the borrower, or the title of a
22 vehicle as security for the obligation;

23 “(6) the creditor requires as a condition for the
24 extension of credit that the borrower establish an al-
25 lotment to repay an obligation; or

1 “(7) the borrower is prohibited from prepaying
2 the loan or is charged a penalty or fee for prepaying
3 all or part of the loan.

4 “(f) PENALTIES AND REMEDIES.—

5 “(1) MISDEMEANOR.—A creditor who know-
6 ingly violates this section shall be fined as provided
7 in title 18, or imprisoned for not more than one
8 year, or both.

9 “(2) PRESERVATION OF OTHER REMEDIES.—

10 The remedies and rights provided under this section
11 are in addition to and do not preclude any remedy
12 otherwise available under law to the person claiming
13 relief under this section, including any award for
14 consequential and punitive damages.

15 “(3) CONTRACT VOID.—Any credit agreement,
16 promissory note, or other contract prohibited under
17 this section is void from the inception of such con-
18 tract.

19 “(4) ARBITRATION.—Notwithstanding section 2
20 of title 9, or any other Federal or State law, rule,
21 or regulation, no agreement to arbitrate any dispute
22 involving the extension of consumer credit shall be
23 enforceable against any covered member or depend-
24 ent of such a member, or any person who was a cov-

1 ered member or dependent of that member when the
2 agreement was made.

3 “(g) **SERVICEMEMBERS CIVIL RELIEF ACT PROTEC-**
4 **TIONS UNAFFECTED.**—Nothing in this section may be
5 construed to limit or otherwise affect the applicability of
6 section 207 of the Servicemembers Civil Relief Act (50
7 U.S.C. App. 527).

8 “(h) **REGULATIONS.**—(1) The Secretary of Defense
9 shall prescribe regulations to carry out this section.

10 “(2) Such regulations shall establish the following:

11 “(A) Disclosures required of any creditor that
12 extends consumer credit to a covered member or de-
13 pendent of such a member.

14 “(B) The method for calculating the applicable
15 annual percentage rate of interest on such obliga-
16 tions, in accordance with the limit established under
17 this section.

18 “(C) A maximum allowable amount of all fees,
19 and the types of fees, associated with any such ex-
20 tension of credit, to be expressed and disclosed to
21 the borrower as a total amount and as a percentage
22 of the principal amount of the obligation, at the time
23 at which the transaction is entered into.

24 “(D) Definitions of ‘creditor’ under paragraph
25 (5) and ‘consumer credit’ under paragraph (6) of

1 subsection (i), consistent with the provisions of this
2 section.

3 “(E) Such other criteria or limitations as the
4 Secretary of Defense determines appropriate, con-
5 sistent with the provisions of this section.

6 “(3) In prescribing regulations under this subsection,
7 the Secretary of Defense shall consult with the following:

8 “(A) The Federal Trade Commission.

9 “(B) The Board of Governors of the Federal
10 Reserve System.

11 “(C) The Office of the Comptroller of the Cur-
12 rency.

13 “(D) The Federal Deposit Insurance Corpora-
14 tion.

15 “(E) The Office of Thrift Supervision.

16 “(F) The National Credit Union Administration

17 “(G) The Treasury Department.

18 “(i) DEFINITIONS.—In this section:

19 “(1) COVERED MEMBER.—The term ‘covered
20 member’ means a member of the armed forces who
21 is—

22 “(A) on active duty under a call or order
23 that does not specify a period of 30 days or
24 less; or

25 “(B) on active Guard and Reserve Duty.

1 “(2) **DEPENDENT.**—The term ‘dependent’, with
2 respect to a covered member, means—

3 “(A) the member’s spouse;

4 “(B) the member’s child (as defined in sec-
5 tion 101(4) of title 38); or

6 “(C) an individual for whom the member
7 provided more than one-half of the individual’s
8 support for 180 days immediately preceding an
9 extension of consumer credit covered by this
10 section.

11 “(3) **INTEREST.**—The term ‘interest’ includes
12 all cost elements associated with the extension of
13 credit, including fees, service charges, renewal
14 charges, credit insurance premiums, any ancillary
15 product sold with any extension of credit to a
16 servicemember or the servicemember’s dependent, as
17 applicable, and any other charge or premium with
18 respect to the extension of consumer credit.

19 “(4) **ANNUAL PERCENTAGE RATE.**—The term
20 ‘annual percentage rate’ has the same meaning as in
21 section 107 of the Truth and Lending Act (15
22 U.S.C. 1606), as implemented by regulations of the
23 Board of Governors of the Federal Reserve System.
24 For purposes of this section, such term includes all
25 fees and charges, including charges and fees for sin-

1 gle premium credit insurance and other ancillary
2 products sold in connection with the credit trans-
3 action, and such fees and charges shall be included
4 in the calculation of the annual percentage rate.

5 “(5) CREDITOR.—The term ‘creditor’ means a
6 person—

7 “(A) who—

8 “(i) is engaged in the business of ex-
9 tending consumer credit; and

10 “(ii) meets such additional criteria as
11 are specified for such purpose in regula-
12 tions prescribed under this section; or

13 “(B) who is an assignee of a person de-
14 scribed in subparagraph (A) with respect to any
15 consumer credit extended.

16 “(6) CONSUMER CREDIT.—The term ‘consumer
17 credit’ has the meaning provided for such term in
18 regulations prescribed under this section, except that
19 such term does not include (A) a residential mort-
20 gage, or (B) a loan procured in the course of pur-
21 chasing a car or other personal property, when that
22 loan is offered for the express purpose of financing
23 the purchase and is secured by the car or personal
24 property procured.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
2 at the beginning of such title is amended by adding at
3 the end the following new item:

“987. Terms of consumer credit extended to members and dependents: limita-
tions.”.

4 (c) EFFECTIVE DATE.—

5 (1) IN GENERAL.—Except as provided in para-
6 graph (2), section 987 of title 10, United States
7 Code, as added by subsection (a), shall take effect
8 on October 1, 2007, or on such earlier date as may
9 be prescribed by the Secretary of Defense, and shall
10 apply with respect to extensions of consumer credit
11 on or after such effective date.

12 (2) AUTHORITY TO PRESCRIBE REGULA-
13 TIONS.—Subsection (h) of such section shall take ef-
14 fect on the date of the enactment of this Act.

15 (3) PUBLICATION OF EARLIER EFFECTIVE
16 DATE.—If the Secretary of Defense prescribes an ef-
17 fective date for section 987 of title 10, United States
18 Code, as added by subsection (a), earlier than Octo-
19 ber 1, 2007, the Secretary shall publish that date in
20 the Federal Register. Such publication shall be made
21 not less than 90 days before that earlier effective
22 date.

23 (d) INTERIM REGULATIONS.—The Secretary of De-
24 fense may prescribe interim regulations as necessary to

1 carry out such section. For the purpose of prescribing
2 such interim regulations, the Secretary is excepted from
3 compliance with the notice-and-comment requirements of
4 section 553 of title 5, United States Code. All interim
5 rules prescribed under the authority of this subsection
6 that are not earlier superseded by final rules shall expire
7 no later than 270 days after the effective date of section
8 987 of title 10, United States Code, as added by this sec-
9 tion.

10 **SEC. 671. ENHANCEMENT OF AUTHORITY TO WAIVE CLAIMS**
11 **FOR OVERPAYMENT OF PAY AND ALLOW-**
12 **ANCES AND TRAVEL AND TRANSPORTATION**
13 **ALLOWANCES.**

14 (a) **MAXIMUM WAIVER AMOUNT; TIME FOR EXER-**
15 **CISE OF AUTHORITY.**—Section 2774 of title 10, United
16 States Code, is amended—

17 (1) in subsection (a)(2)(A), by striking
18 “\$1,500” and inserting “\$10,000”; and

19 (2) in subsection (b)(2), by striking “three
20 years” and inserting “five years”.

21 (b) **CONFORMING AMENDMENTS REGARDING NA-**
22 **TIONAL GUARD.**—Section 716 of title 32, United States
23 Code, is amended—

24 (1) in subsection (a)(2)(A), by striking
25 “\$1,500” and inserting “\$10,000”; and