

Code of Federal Regulations  
Title 32. National Defense  
Subtitle A. Department of Defense  
Chapter I. Office of the Secretary of Defense  
Subchapter M. Miscellaneous  
Part 232. Limitations on Terms of Consumer Credit Extended to Service Members and Dependents  
(Refs & Annos)

32 C.F.R. § 232.8

§ 232.8 Limitations.

Effective: October 1, 2015

[Currentness](#)

[Title 10 U.S.C. 987](#) makes it unlawful for any creditor to extend consumer credit to a covered borrower with respect to which:

(a) The creditor rolls over, renews, repays, refinances, or consolidates any consumer credit extended to the covered borrower by the same creditor with the proceeds of other consumer credit extended by that creditor to the same covered borrower. This paragraph shall not apply to a transaction when the same creditor extends consumer credit to a covered borrower to refinance or renew an extension of credit that was not covered by this paragraph because the consumer was not a covered borrower at the time of the original transaction. For the purposes of this paragraph, the term “creditor” means a person engaged in the business of extending consumer credit subject to applicable law to engage in deferred presentment transactions or similar payday loan transactions (as described in the relevant law), provided however, that the term does not include a person that is chartered or licensed under Federal or State law as a bank, savings association, or credit union.

(b) The covered borrower is required to waive the covered borrower's [right to legal recourse](#) under any otherwise applicable provision of State or Federal law, including any provision of the Servicemembers Civil Relief Act ([50 U.S.C. App. 501 et seq.](#)).

(c) The creditor requires the covered borrower to submit to arbitration or imposes other onerous legal notice provisions in the case of a dispute.

(d) The creditor demands unreasonable notice from the covered borrower as a condition for legal action.

(e) The creditor uses a check or other method of access to a deposit, savings, or other financial account maintained by the covered borrower, except that, in connection with a consumer credit transaction with an MAPR consistent with [§ 232.4\(b\)](#), the creditor may:

(1) Require an electronic fund transfer to repay a consumer credit transaction, unless otherwise prohibited by law;

(2) Require direct deposit of the consumer's salary as a condition of eligibility for consumer credit, unless otherwise prohibited by law; or

(3) If not otherwise prohibited by applicable law, take a security interest in funds deposited after the extension of credit in an account established in connection with the consumer credit transaction.

(f) The creditor uses the **title of a vehicle** as security for the obligation involving the consumer credit, provided however, that for the purposes of this paragraph, the term “creditor” does not include a person that is chartered or licensed under Federal or State law as a bank, savings association, or credit union.

(g) The creditor requires as a condition for the extension of consumer credit that the covered borrower **establish an allotment to repay the obligation**. For the purposes of this paragraph only, the term “creditor” shall not include a “military welfare society,” as defined in [10 U.S.C. 1033\(b\)\(2\)](#), or a “service relief society,” as defined in [37 U.S.C. 1007\(h\)\(4\)](#).

(h) **The covered borrower is prohibited from prepaying the consumer credit or is charged a penalty fee for prepaying all or part of the consumer credit.**

<Part effective Oct. 1, 2015.>

<For compliance date(s) of amendment(s) to part, see [80 FR 43560](#).>

SOURCE: [80 FR 43606](#), July 22, 2015, unless otherwise noted.

AUTHORITY: [10 U.S.C. 987](#).

Current through Aug. 6, 2015; [80 FR 47386](#).