

January 26, 2016

The Honorable Brad Carson
Acting Under Secretary of Defense (Personnel & Readiness)
3E989, The Pentagon
Washington, DC 20301

Dear Secretary Carson,

The undersigned Associations appreciate the Defense Manpower Data Center's (DMDC) outreach and commitment to working with us and other stakeholders on issues related to the Military Lending Act (MLA) Database. Together, our Associations represent thousands of financial institutions (FIs) that proudly provide access to credit for military members and their families.

Beginning October 3, 2016, lenders must determine the military status of all of their applicants for many forms of consumer credit. The Final Rule offers a compliance safe harbor for military status determination if the FI queries the DMDC's database or obtains military status information from one of three national credit reporting agencies (CRAs). Our understanding is that there are three methods to meet the safe harbor:

- 1) Queries through the DMDC's website. Both individual and batch queries may be submitted to the website, but the website's response time can be delayed up to 24 hours.
- 2) Military status information provided through a CRA. A fee is likely to be imposed, however, and information pertaining to dependents under the age of 18 is inaccessible.
- 3) Direct access to the DMDC database. Direct access allows for greater volume of queries to be processed instantaneously versus the 24-hour standard of the website. Additionally, information pertaining to dependents under the age of 18 is accessible.

While FIs may not know with certainty their preference at this time, given uncertainties about the details of the different options, coupled with the need to communicate these options to thousands of FIs impacted by the MLA rule, we believe many FIs may prefer and wish to opt-in to direct connectivity with DMDC because of the advantages noted above. One of the more important features of direct connectivity with DMDC is instantaneous data that are critical to making quick credit decisions in today's lending environment. However, DMDC has said that FIs must express their interest in direct access no later than February 1, 2016. In addition, DMDC has said that direct connections will likely be limited to FIs that will have the largest projected number of inquiries to the database.

FIs and other stakeholders were first made aware of the direct access option through DMDC's first teleconference on MLA database progress held on January 12, 2016. For the thousands of FIs that provide access to credit to America's service members and their dependents, the February 1 deadline leaves little time to analyze their options and respond to DMDC in a timely manner. In addition, limiting the availability of the best, most efficient option to determine military status of loan applicants will negatively impact smaller and mid-size institutions.

For these reasons, we request an extension on the deadline for indicating interest in the direct connectivity option until March 1, 2016. The additional time will allow more interested stakeholders to indicate whether they would like to connect directly to the DMDC database. This will allow the DMDC to better measure the demand for direct access to allow it to allocate its

resources and respond to the demand so that creditors can comply with the regulation and continue to provide consumer credit services to military personnel and their families.

We appreciate DMDC's time and resource constraints and its objective to ensure that the direct connection is available by the compliance deadline, but believe the requested brief additional time is appropriate to allow all FIs to assess their best options to ensure compliance with the new MLA regulation.

We appreciate your consideration of this request for an extension to the February 1 deadline to opt-in to direct connectivity to DMDC. Should you wish to discuss our collective concerns in more detail, we welcome a group meeting or conference call to discuss further. To arrange a meeting or otherwise discuss these comments further, please contact any or all of our organizations.

Sincerely,

American Bankers Association
American Financial Services Association
Association of Military Banks of America
Credit Union National Association
Consumer Bankers Association
Financial Services Roundtable
Independent Community Bankers of America
National Association of Federal Credit Unions

CC: Mr. Ken Doolittle
Ms. Janine Groth
Mr. Paul Kantwill