

Sonya explains the Military Lending Act

Students experience an interactive adventure, explore the Military Lending Act (MLA), and use a loan calculator to understand the impacts of high-interest loans.

Learning goals

Big idea

The Military Lending Act (MLA) provides key financial protections for active duty servicemembers.

Essential questions

- What rights are protected under the MLA?
- Why are MLA protections important?
- How can comparison shopping help with managing debt?

Objectives




- Understand protections provided under the MLA
- Describe how interest rates impact financial well-being

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

-  Executive function
-  Financial habits and norms
-  Financial knowledge and decision-making skills

Grade level: High school (11-12)

Age range: 16-19

Topic: Spend (Budgeting, Buying things), Borrow (Getting loans, Managing credit)

School subject: Math, JROTC/ROTC (Servicemembers)

Teaching strategy: Blended learning, Cooperative learning, Personalized instruction

Bloom's Taxonomy level: Remember, Understand, Apply

Activity duration: 75-90 minutes

National Standards for Personal Financial Education, 2021

Earning income: 12-1

Spending: 8-1, 8-2, 12-1, 12-2, 12-4, 12-5, 12-8, 12-9

Managing credit: 8-1, 8-2, 8-3, 8-4, 8-7, 12-1, 12-2, 12-10, 12-12, 12-13

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

ABOUT

Misadventures in MONEY MANAGEMENT

PRESENTED BY THE CONSUMER FINANCIAL PROTECTION BUREAU

Misadventures in Money Management (MiMM) educates, advises, and trains future and current servicemembers and their families on critical financial decisions and consumer rights. The program is available for use by all of the U.S. Armed Forces. MiMM follows the stories of seven servicemembers, each covering a different financial topic:

- Angela - Debit, credit & credit scores
- Cruz - Car buying tactics
- Dirk - Smart spending
- James - Impulse purchases
- Miya - Budgeting, saving & investing
- Sonya - Emergency relief & researching
- Xavier - Debt advice & student loans

MiMM focuses on some of the unique problems and solutions that servicemembers experience.

What students will do

- Complete an online, interactive adventure independently or as a group.
- Calculate monthly loan payments and total loan costs based on varying interest rates.
- Answer questions about the importance of financial protections.

Preparing for this activity

- While it's not necessary, completing the "James resists impulse spending" activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Become familiar with the MiMM online graphic novel at <https://mimm.gov/>.
- Review Sonya's MiMM adventure. If time permits, it may be helpful for you to complete her adventure on your own before class.
 - Note that while Sonya's adventure covers different scenarios, this activity mainly focuses on the scenario where she's offering advice to Marquise.

TIP

If your students have access to computers or tablets with Internet access, they can also complete the adventure as homework. Direct them to <https://mimm.gov/>, where they can complete the entire program, get a certificate of completion, and email their unique certificate to you or print it out. Students can only get a certificate for completing the entire program, not when they finish each character's story.

- Obtain computers or tablets with Internet access so students can conduct research.
- Make sure students have access to calculators.
- Decide if you want students to complete Sonya’s MiMM adventure as a whole class, in small groups, or individually.
 - If you choose to complete the adventure as a whole class, obtain a computer with Internet access, a projector or smartboard, and speakers.
 - If you choose for students to complete the adventure in small groups or individually, provide them with headphones to manage the noise.

What you’ll need

THIS TEACHER GUIDE

- **Sonya explains the Military Lending Act (guide)**
[cfpb_building_block_activities_MiMM_sonya-explains-Military-Lending-Act_guide.pdf](#)
- A computer with Internet access, a projector or smartboard, and speakers (if you choose to complete the interactive adventure portion as a whole class)

STUDENT MATERIALS

- **Sonya explains the Military Lending Act (worksheet)**
[cfpb_building_block_activities_MiMM_sonya-explains-Military-Lending-Act_worksheet.pdf](#)
- **What is the Military Lending Act and what are my rights? (handout)**
[cfpb_building_block_activities_what-is-Military-Lending-Act_handout.pdf](#)
- Computers or tablets with Internet access
- Calculators
- Headphones (if you choose for students to complete the interactive adventure portion in small groups or individually)

Exploring key financial concepts

People often get loans to purchase things like cars or houses, or to pay for higher education or vocational training. Lenders usually charge interest, or a fee for use of the money being loaned. Interest rates can vary based on different factors, including your credit history or the amount of time you need to repay the loan.

People who are trying to get credit may take out loans that require the borrower to provide collateral (something of value like a car, a boat, a home, etc.) that the bank or lending institution can take to get their money back if the borrower can’t pay back the loan. This is called a secured loan.

Sometimes people experience difficulty repaying loans, especially when the loans have a higher interest rate, additional fees, or other terms that make it costly to repay them. It's important to read loan agreements carefully to spot all the fees and costs before taking out a loan. Active duty servicemembers, spouses, and certain dependents have rights under the Military Lending Act (MLA), which limits or prohibits certain fees and conditions on many types of consumer loans. This includes payday loans, vehicle title loans, and loans with interest rates over 36%, which may be even more difficult for people to repay. The MLA places limits on how much interest lenders can charge on loans, places restrictions on penalties, and prevents lenders from requiring mandatory arbitration. The Judge Advocate General (JAG) Legal Assistance Office can help servicemembers navigate loans and ensure that their rights are protected.

TIP

Because credit products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

Teaching this activity

Whole-class introduction

- Introduce the Misadventures in Money Management (MiMM) program if students aren't familiar with it.
 - MiMM is an online graphic novel in which students make decisions for the characters as they move through the story. CFPB created the program to educate, advise, and train current and future servicemembers on critical financial decisions.
 - The program focuses on some of the unique problems and solutions that servicemembers experience.
- Explain to students that they'll explore the MiMM character of Sonya.
 - Sonya has returned to her hometown for the holidays. She uses her training in emergency relief and researching to help her friends and neighbors with their financial challenges.
 - Sonya's friend Marquise, an active duty servicemember, has taken out a loan with a high APR and is struggling to make payments each month. Sonya offers to help him think of a solution.
- Ask students why a person would borrow money or take out a loan?
 - Answers may include: to buy a car, purchase a house, pay for college, or buy something that costs a lot of money.
- Read the "Exploring key financial concepts" section to students.

- Be sure students understand key vocabulary:
 - **APR (Annual Percentage Rate):** The cost of borrowing money on a yearly basis, expressed as a percentage rate.
 - **Credit:** Borrowing money, or having the right to borrow money, to buy something. Usually it means you're using a credit card, but it might also mean that you got a loan.
 - **Interest:** A fee charged by a lender, and paid by a borrower, for the use of money. A bank or credit union may also pay you interest if you deposit money in certain types of accounts.
 - **Lender:** An organization or person that lends money with the expectation that it will be repaid, generally with interest.
 - **Loan:** Money that needs to be repaid by the borrower, generally with interest.
 - **Military Lending Act (MLA):** A federal law that provides special protections for active duty servicemembers, like capping interest rates on many loan products. MLA includes servicemembers on active Guard or active Reserve duty, as well as spouses and certain dependents.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

Individual or group work

Completing the online, interactive adventure at <https://mimm.gov/>

- Click "Explore a topic" and then "Emergency relief & researching" to access Sonya's adventure.
- Explain that while Sonya interacts with several people in the adventure, this activity focuses on the scenario where she helps her friend, Marquise, with his high interest rate loan.
- Students can complete Sonya's adventure as a whole class, in small groups, or individually.
 - If you choose to complete it as a whole class:
 - Use the decision points in Marquise's story to spark discussions and decide as a class what choices to make.
 - Help students build their understanding by clicking on the suggested resources and additional information that come up throughout the adventure.
 - If students work in small groups or individually:
 - Move among the students to check on the decisions they're making and what they're learning from their choices.

- Encourage students to pause at each decision point and reflect on the decisions they're making and what they're learning from their choices.
- Help students build their understanding by encouraging them to click on the suggested resources and additional information that come up throughout the adventure. The suggested resources help students gather additional information to complete each character's final challenge.

Completing the worksheet

- Distribute the "Sonya explains the Military Lending Act" worksheet and the "What is the Military Lending Act and what are my rights?" handout to each student.
- Students can work independently, in pairs, or in groups of three or four to complete the "Learning from Sonya's experience" section of the worksheet.
 - Tell students they'll use a simplified interest formula of Principal x Rate x Time to calculate total interest on Marquise's loan. This formula is often written as $I = P \times R \times T$:
 - I = the amount of simple interest
 - P = the principal (amount borrowed)
 - R = the interest rate of the loan
 - T = time, or the outstanding term in years from the date of disbursement to date of repayment, with periods less than 1 year computed on the basis of 365 days/year
 - Explain that they'll add the total interest to the principal and then divide that amount by the number of months in the loan's term to find out what the monthly payment is.
 - Students should repeat the process two more times to answer the questions in the "Digging deeper" section.
- Students can complete the reflection questions on their own.

NOTE

This is a simplified approach to determining total interest. The actual math will likely be more complicated.

Wrap-up

- Bring the class back together.
- Ask volunteers to share their answers to the "Learning from Sonya's experience" and "Digging deeper" sections of the worksheet.
- Consider asking additional questions to extend the discussion. Possible questions include:
 - Comparison shopping is when you compare prices, features, benefits, risks, and other characteristics of two or more similar products or services. How could comparison shopping have helped Marquise select a travel package?

Answers could include:

- Comparison shopping could have helped him think about the monthly payments and total amount he was willing to pay for his honeymoon.
 - Comparison shopping could have helped him decide what was most important to him when considering his honeymoon options and think about how to find a package that fit within his budget.
- What other loans might Marquise get that are covered under the Military Lending Act?

Answers could include:

- Payday loans, overdraft lines of credit, some installment loans, certain student loans.
- What loans aren't covered under the Military Lending Act?

Answers could include:

- Secured loans, or credit that is secured by the property or other goods being purchased.
 - Examples of secured loans generally include residential mortgages, loans to buy motor vehicles that are secured by the motor vehicles, and installment loans to buy personal property that are secured by the property you're buying, like a cell phone. If you would like students to learn more about secured loans, consider having them do the "Differentiating between secured and unsecured loans" activity.
- If time allows, ask volunteers to share their answers to the reflection questions.

Suggested next steps

Consider searching for other CFPB activities that address the topics of spending, including budgeting and buying things, or borrowing, including getting loans and managing credit. Suggested activities include "Qualifying for loans" and "Reflecting on needs versus wants."

Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding.

The answer guide on the next page provides possible answers for the "Sonya explains the Military Lending Act" worksheet. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justification for their answers.

Answer guide

Learning from Sonya's experiences

1. How does the Military Lending Act help Marquise with his loan?
Because Marquise's loan is above the 36% threshold, Marquise can get out of his loan and find another honeymoon option that fits within his budget.
2. Describe two other protections that the Military Lending Act offers.
Possible answers include: No mandatory waiver of legal rights (e.g., you do not have to participate in mandatory arbitration), no prepayment penalty (no penalty if you pay back a loan early), and no mandatory allotment (you cannot be forced to create a voluntary military allotment to receive a loan).
3. What help is available for active duty servicemembers who want to learn more about the Military Lending Act and whether it applies to their loan? How can they access that help?
The Judge Advocate General's (JAG) office can help active duty servicemembers understand their protections and take steps if their rights are not being protected. Installation financial readiness officers can also provide information. Finally, the Consumer Financial Protection Bureau (CFPB) forwards complaints to companies through their complaint process and works to get responses from companies if consumers have a problem with their financial products or services.

Digging deeper

For purposes of explaining how interest can add to the cost of an original purchase amount, this activity uses a simplified formula for calculating interest, and answers in this guide reflect the use of this formula. It is important to note that this is a simplified example and that actual interest calculations may be more complicated for a loan of multiple periods.

The answers below represent the results of the suggested mathematical calculations.

	Principal	Rate	Term	Interest charged	Total amount paid	Monthly payment
Scenario 1	\$8,000	80%	5 years	\$32,000	\$40,000	\$667
Scenario 2	\$8,000	50%	5 years	\$20,000	\$28,000	\$467
Scenario 3	\$8,000	36%	5 years	\$14,000	\$14,400	\$373

Reflection questions

Answers may vary.