



## **NOTIFICATION LETTER**

ATTENTION: Financial Services Provider  
DATE: December 5, 2024  
SUBJECT: Interest Rate Protections for Servicemembers under the Servicemembers Civil Relief Act

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We are issuing this letter to inform you of the interest rate protections afforded to servicemembers, recent veterans, and their spouses under the Servicemembers Civil Relief Act (SCRA).<sup>1</sup> This federal law provides a wide range of benefits and protections for servicemembers to address the burdens of military service.<sup>2</sup> One important provision of the SCRA limits the amount of interest that may be charged on certain financial obligations that were incurred before military service to no more than 6 percent per year, including most fees.<sup>3</sup>

The Department of Justice (DOJ) and the Consumer Financial Protection Bureau (CFPB) have robust tools to support the financial rights of servicemembers. DOJ is responsible for enforcing the SCRA and conducts public outreach about the SCRA's protections. The CFPB supports this work by providing educational resources to military families, monitoring complaints, and coordinating with federal partners on matters related to consumer protection for the military community. Additionally, the CFPB has authority to enforce the Military Lending Act, as well as the ability to take legal action to address unfair, deceptive, or abusive acts or practices related to consumer financial products or services for all members of the public, including servicemembers, under the Consumer Financial Protection Act.

Recently, the CFPB has published reports on the rising interest rates in both the credit card and mortgage markets.<sup>4</sup> The CFPB's 2022 analysis estimated that fewer than 10 percent of eligible auto loans and 6 percent of personal loans to activated members of the National Guard and Reserves were receiving interest rate reductions, resulting in nearly \$10 million a year in

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<sup>1</sup> 50 U.S.C. §§ 3901-4043.

<sup>2</sup> The purpose of this federal law is to provide servicemembers with protections to enable them to devote their entire energy to the defense needs of the Nation. *See* 50 U.S.C. § 3902.

<sup>3</sup> 50 U.S.C. § 3937.

<sup>4</sup> *See* "Credit card data: Small issuers offer lower rates," CFPB Office of Markets (Feb. 16, 2024), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-report-finds-large-banks-charge-higher-credit-card-interest-rates-than-small-banks-and-credit-unions/>; and "Data Spotlight: Trends in discount points amid rising interest rates," CFPB Office of Mortgage Markets (Apr. 5, 2024), <https://www.consumerfinance.gov/data-research/research-reports/data-spotlight-trends-in-discount-points-amid-rising-interest-rates/>.

estimated lost savings.<sup>5</sup> While this report primarily quantified the harm only for auto and personal installment loans, there is ample evidence to suggest that servicemembers face hurdles in obtaining interest rate reductions in other areas, like credit cards and mortgages.<sup>6</sup> With current interest rates on car loans and even mortgages well above 6 percent for many borrowers, more servicemembers would now benefit from a reduction than in prior years. While some financial institutions have implemented policies to automate and simplify the application process, there are still many that have not.

We request that you carefully review the information in this letter and evaluate your practices to ensure compliance with this federal law.

### *Interest Rate Benefit*

The SCRA allows servicemembers to receive a 6 percent cap on the annual interest rate that can be charged on loans (including joint loans with their spouse) that were incurred prior to military service. Interest includes service charges, renewal charges, fees, or any other charges (except bona fide insurance).

The 6 percent SCRA benefit applies to all types of financial obligations and liabilities, including credit cards; automobile, ATV, boat, and other vehicle loans; student loans; home equity loans; mortgages; and all other loans.

To receive this benefit, servicemembers are required to submit written notice (which can be electronic) and a copy of their military orders, a letter from a commanding officer, or any “other appropriate indicator” of military service within 180 days of the end of military service. In response to a proper request, a creditor **must**:

- forgive—not defer—interest greater than 6 percent per year;
- forgive this interest retroactively, back to the first day of SCRA eligibility; and
- reduce the monthly payment by the amount of interest forgiven (and cannot accelerate payment of principal)

For mortgages, interest is capped at 6 percent during the entire period of military service and for one year after the period of military service. For all other obligations, interest is capped at 6 percent only for the duration of the period of military service.

In addition, lenders should take note of the following details about the SCRA’s interest rate protections, which are sometimes misunderstood:

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<sup>5</sup> See Goldman, Charles A. and Katz, Yael, *Protecting Those Who Protect Us*, Consumer Financial Protection Bureau (Dec. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_servicemembers-usage-of-scra-credit-protections\\_2022.pdf](https://files.consumerfinance.gov/f/documents/cfpb_servicemembers-usage-of-scra-credit-protections_2022.pdf).

<sup>6</sup> See “The CFPB is protecting the military community and providing relief,” CFPB Office of Servicemember Affairs (May 23, 2024), <https://www.consumerfinance.gov/about-us/blog/the-cfpb-is-protecting-the-military-community-and-providing-relief/>.

- *Joint Accounts*: The SCRA also provides interest rate protections to servicemember spouses who have co-signed the servicemember's loan or obligation.
- *Active Duty Date*: For most servicemembers, SCRA protections begin on the date they enter active duty military service. For military reservists, protections begin upon the receipt of certain military orders, which may occur months before the entry into active duty.
- *National Guard Members*: Members of the National Guard are covered by the SCRA when serving under Title 10 orders for federal active duty, including training orders.<sup>7</sup> Members of the National Guard are also covered by the SCRA when they are on orders for more than 30 days under 32 U.S.C. § 502(f) to respond to a national emergency, as declared by the President or Secretary of Defense.<sup>8</sup>
- *Veterans*: Most SCRA benefits end when the servicemember leaves military service, but there are two limited situations in which a veteran is eligible for SCRA protections. First, a veteran continues to be able to request the interest rate benefit from a creditor up to 180 days after the end of military service. Second, for mortgages, the 6 percent interest rate benefit continues one year after the end of military service.
- *Defense Manpower Data Center (DMDC)*: Creditors can verify a borrower's military status using the DMDC database. Members of the National Guard and military reservists may receive orders that make them eligible for the SCRA's interest rate benefit but that eligible time may not appear in the DMDC database.<sup>9</sup> If the servicemember submits the written notice and appropriate indicator of military service within 180 days of the end of military service, the creditor must provide the SCRA's interest rate benefit even if the DMDC does not show a period of active service. The safe harbor provision in the SCRA for use of the DMDC applies only when the creditor has not received the written notice and documentation from the borrower.

### *Recommendations to Further Help Servicemembers*

Creditors can offer greater protections and benefits to servicemembers than those guaranteed by the SCRA.

One way for lenders to assist servicemembers is by proactively checking accounts using the DMDC and automatically applying the SCRA interest rate cap to all eligible servicemembers.

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<sup>7</sup> 50 U.S.C. § 3911(2)(A)(i).

<sup>8</sup> 50 U.S.C. § 3911(2)(A)(ii).

<sup>9</sup> The DMDC SCRA website only reports Title 10 active duty periods. *See* [FAQs \(osd.mil\)](#). Lenders should be aware that not every period of Title 10 active duty will appear on the DMDC SCRA website, particularly active duty periods of less than 30 days. Coverage under the SCRA is broader in some cases and includes some categories of persons who would not be reported as on early alert or active duty using the DMDC. *See* DMDC Status Report Disclaimer. In addition, many times orders are amended to extend the period of AD, which would extend SCRA protections, but may not be captured by the DMDC. *See id.*

In a 2022 report, the CFPB also encouraged lenders to explore ways to automatically apply the SCRA interest rate cap.<sup>10</sup>

Another way for lenders to assist servicemembers is to automatically apply the SCRA interest rate cap to all eligible accounts held at that institution if a servicemember invokes protections for a single account. The 2022 CFPB report also encouraged this practice to prevent servicemembers from having to request the 6 percent interest rate cap multiple times from the same institution and notes that some institutions have adopted this practice.<sup>11</sup>

Implementing these recommendations will help to increase the utilization of this benefit and provide servicemembers with the financial protection they need to serve our Nation.

#### *Examples of DOJ SCRA Enforcement Actions*

- [United States v. Sallie Mae, Inc. \(D. Del.\)](#) – [Press Release](#), [Consent Order](#)
- [United States v. Bank of America Corp., Citibank, NA, JPMorgan Chase & Co., Ally Financial, Inc. and Wells Fargo & Co. \(D.D.C.\)](#) – [Press Release](#)
- [United States v. Bayport Credit Union \(E.D. Va.\)](#) – [Press Release](#), [Consent Order](#)
- [United States v. Westlake Services, LLC \(C.D. Cal.\)](#) – [Press Release](#), [Addendum to Settlement Agreement](#)

#### *Additional Resources*

- *Verification of Military Service (DMDC)* – <https://scra.dmdc.osd.mil/>
- *DOJ's Servicemembers and Veterans Initiative* – [www.servicemembers.gov](http://www.servicemembers.gov)
- *CFPB's Office of Servicemember Affairs* – [www.consumerfinance.gov/servicemembers](http://www.consumerfinance.gov/servicemembers)

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<sup>10</sup> See [Protecting Those Who Protect Us: Evidence of activated Guard and Reserve servicemembers' usage of credit protections under the Servicemembers Civil Relief Act | Consumer Financial Protection Bureau \(consumerfinance.gov\)](#).

<sup>11</sup> See [Protecting Those Who Protect Us: Evidence of activated Guard and Reserve servicemembers' usage of credit protections under the Servicemembers Civil Relief Act | Consumer Financial Protection Bureau \(consumerfinance.gov\)](#). DOJ enforcement has also led to creditors being required to apply the SCRA interest rate cap to all of a servicemember's eligible accounts once the creditor receives a request from a servicemember for a reduced interest rate pursuant to the SCRA. See, e.g., [Consent Order - United States v. Bayport Credit Union \(E.D. Va.\) \(justice.gov\)](#) and [Amended Consent Order between the United States and Capital One, N.A. and Capital One Bank \(USA\), N.A.](#)

*Conclusion*

The SCRA provides important legal protections for the nation's servicemembers who do so much for our country. The CFPB and DOJ appreciate your assistance in educating your employees about these protections to ensure our Nation's heroes are safeguarded.

Sincerely,

Handwritten signature of Kristen Clarke in blue ink.

Kristen Clarke  
Assistant Attorney General for Civil Rights  
U.S. Department of Justice

Handwritten signature of Rohit Chopra in blue ink.

Rohit Chopra  
Director  
Consumer Financial Protection Bureau