

Table of Contents

TABLE OF CONTENTS	2
SECTION 1 GENERAL.....	3
1.1 STATEMENT OF PURPOSE.....	3
1.2 OBJECTIVE.....	3
1.3 STATE LAW AND AGENCY GUIDELINES	3
SECTION 2 SUMMARY.....	4
2.1 COVERAGE	4
2.1.1 <i>Waiver of SCRA Protections</i>	5
SECTION 3 REQUIREMENTS.....	6
3.1 MAXIMUM RATE OF INTEREST ON LOANS	6
3.2 PROTECTION AGAINST DEFAULT JUDGEMENTS IN CIVIL CASES.....	7
3.3 PROTECTION AGAINST FORECLOSURE	8
3.4 PROTECTION AGAINST EVICTIONS AND DISTRESS	8
3.5 ADVERSE ACTION	8
SECTION 4 SERVICING COMPLIANCE	9
4.1 COMPLIANCE WITH REQUIREMENTS	9
4.1.1 <i>Written Waiver of Rights</i>	9
4.1.2 <i>Maximum Interest Rate on Loans</i>	9
4.1.3 <i>Protection Against Default Judgement in Civil Cases</i>	10
4.1.4 <i>Foreclosure and Eviction Protections</i>	10
4.1.5 <i>Servicemembers with Permanent Change of Station Orders</i>	10
4.1.6 <i>Safe Harbor</i>	11
SECTION 5 RECORD RETENTION	12
APPENDIX 1 DEFINITIONS.....	13
APPENDIX 2 BEST PRACTICES.....	16
APPENDIX 3 REFERENCE LIST	17

Section 1 General

1.1 Statement of Purpose

[Sample Client] designed these policies and procedures to safeguard their legal responsibility to comply with applicable residential lending laws and regulations. The [board of directors](#) and senior management, through a sound [Compliance Management System](#), ensure the integration of these policies and procedures into the overall framework for product design, delivery and administration across the residential lending origination and service life cycle. Management and employees utilize these policies and procedures to guide their daily responsibilities to effect mitigation of regulatory compliance risk within their job roles.

1.2 Objective

The guidance in this policy applies throughout [Sample Client]'s operations with the objective to mitigate regulatory risk and consumer harm within the standards of [Sample Client]'s compliance program. [Sample Client] requires employees, contractors, and [third-party vendors](#) to comply with these policies and procedures.

1.3 State Law and Agency Guidelines

Federal law may alter, affect, or preempt state laws that are inconsistent with the federal law. Preemption applies only to the extent of the inconsistency. A state law is not inconsistent if it is more protective of a consumer. Wherever state law or local regulations overlap and provide greater consumer protections than federal law or the requirements set out in this policy, [Sample Client] will comply with the more protective law or regulation and will consult with the appropriate legal counsel to set forth [Sample Client]'s policies and procedures for compliance.

In some instances, agencies may overlay guidelines that expand upon the requirements of federal law. [Sample Client] must be cognizant of agency guidelines and incorporate those guidelines into [Sample Client]'s policies and procedures.

Section 2 Summary

The Servicemembers Civil Relief Act (SCRA) was created to provide extra protections for servicemembers if legal or financial transactions adversely affect their rights during military or uniformed service. These protections enable servicemembers to devote their entire energy to the defense needs of the Nation.

The history of the SCRA traces back to the Civil War. The Act was updated and amended during World War I and World War II, and has had six subsequent amendments:

- Soldiers' and Sailors' Civil Relief Act Amendments of 1991
- Housing and Economic Recovery Act (HERA) of 2008
- Higher Education Opportunity Act (HEOA) of 2008
- Military Spouses Residency Relief Act of 2009
- Helping Heroes Keep Their Homes Act of 2010
- Veterans Benefit Act of 2010
- Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012
- Foreclosure Relief and Extension for Servicemembers Act of 2014
- Foreclosure Relief and Extension for Servicemembers Act of 2015
- Protecting Families of Fallen Servicemembers Act of 2021

2.1 Coverage

The SCRA covers existing debt when a servicemember is on active duty. Specifically, it applies to debt incurred before active duty began. Coverage includes the following:

- [Active-duty servicemembers](#)
- Citizens of the United States on active duty in the forces of a nation with which the United States is allied in the prosecution of a war or military action
- Dependents of the active-duty servicemember; including the servicemember's spouse, child, and any other individual for whom the servicemember provided at least one-half of their support during the 180 days preceding the application for relief
- Any civil, judicial, or administrative proceeding commenced in any court or agency subject to the jurisdiction of the United States

Joint loans qualify for coverage under the SCRA if the active-duty servicemember is one of the owners and the loan was incurred before entering active duty.

Anyone holding a valid power of attorney for the servicemember may exercise SCRA rights on behalf of the servicemember.

Section 3 Requirements

When a servicemember applies for, or receives a stay, postponement, or suspension of the servicemember's obligations or liabilities, the SCRA prohibits [Sample Client] from taking any of the following actions:

- Making a determination that the servicemember is unable to pay the obligation or liability in accordance with its terms
- Denying or revoking credit, changing the terms of an existing credit arrangement, or refusing to grant credit to the servicemember in substantially the amount or on substantially the terms requested
- Providing an adverse report relating to the creditworthiness of the servicemember by or to a consumer reporting agency
- Noting in a servicemember's record identifying the servicemember as a member of the National Guard or a reserve component

3.1 Maximum Rate of Interest on Loans

Any mortgage loan incurred by a person prior to becoming a servicemember (also known as a "preservice obligation"), to include a joint mortgage loan with a spouse, is entitled to have the interest rate on the loan reduced to a maximum of 6% per year.

A qualifying servicemember may request an interest rate reduction from [Sample Client] at any time while serving on active duty and up to 180 days after release from active duty.

To receive the rate reductions, the qualifying servicemember must notify [Sample Client] in writing and include a copy of servicemember's orders to active-duty service or a letter from the servicemember's commanding officer evidencing the date active-duty service began.

The rate reduction for pre-service obligations applies during the period of active-duty service for mortgage loans, and for an additional year after the end of active-duty service. When [Sample Client] receives a proper request for an interest rate reduction under the SCRA, [Sample Client] must reduce the interest rate on pre-service obligations to 6% for the entire active-duty service period.

[Sample Client] is prohibited from adding the amount of interest above 6% into the loan later. [Sample Client] must forgive any interest at a rate in excess of 6% per year that would otherwise be incurred.

[Sample Client] must reduce the amount of any periodic payment due from a servicemember by the amount of the forgiven interest forgiven allocated to the period for which such payment is made.

3.3 Protection Against Foreclosure

SCRA prohibits [Sample Client] from foreclosing on a servicemember's home without a court order, unless the servicemember has waived his rights. This protection applies while the servicemember is on active duty and for one year after leaving active duty and applies whether or not the servicemember advised [Sample Client] about their servicemember status. This protection also applies in states that do not require a court order to foreclose.

Under this SCRA protection, a court may pause or stay a foreclosure proceeding or adjust the loan, provided the servicemember's active-duty service materially affected the ability to pay the loan.

3.4 Protection Against Evictions and Distress

SCRA prohibits, except by court order, a landlord (or another person with paramount title) from:

- evicting a servicemember, or the [dependents](#) of a servicemember, during a period of military service of the servicemember, from premises:
 - that are occupied or intended to be occupied primarily as a residence; and
 - for which the monthly rent does not exceed \$2,400, as adjusted under paragraph (2) for years after 2003, or
- subjecting such premises to a distress during the period of military service.

3.5 Adverse Action

Under 50 USC 3919 of SCRA, when a servicemember applies for, or receives a stay, postponement, or suspension of their obligations or liabilities pursuant to the SCRA, financial institutions are not permitted to do the following:

- make a determination that the servicemember is unable to pay the obligation or liability in accordance with its terms,
- deny or revoke credit, change the terms of an existing credit arrangement, or refuse to grant credit to the servicemember in substantially the amount or on substantially the terms requested,
- provide an adverse report relating to the creditworthiness of the servicemember by or to a consumer reporting agency, or
- note in a servicemember's record identifying the servicemember as a member of the National Guard or a reserve component.