



Consumer Financial
Protection Bureau

NOTIFICATION LETTER

ATTENTION: Auto lending and leasing company
DATE: July 29, 2022
SUBJECT: Auto Lending and Leasing Protections for Servicemembers

We are issuing this letter to remind auto lenders and leasing companies (collectively, auto finance companies) of the protections offered to servicemembers and their dependents under the Servicemembers Civil Relief Act (SCRA), which provides servicemembers and their dependents with certain financial and due process protections during periods of military service.¹

The SCRA includes several protections related to auto lending and leasing, which are particularly important given that many servicemembers carry significant auto loan debt at young ages due to the need for transportation while living on military bases.² Servicemembers are also commonly the target of unfair or predatory practices, including costly loans and expensive contracts.

The Department of Justice (DOJ) and the Consumer Financial Protection Bureau (CFPB) have robust tools to support the financial rights of servicemembers and their families. 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 the authority to address unfair, deceptive, or abusive practices related to auto financing for all members of the public, including servicemembers, under the Consumer Financial Protection Act.

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

Vehicle Repossession Protections

The SCRA provides servicemembers with special rights regarding vehicle repossession. If a borrower finances or leases a vehicle prior to entering military service, an auto finance

¹ See Title 50 U.S. Code, Sections 3901-4043.

² See [Financially Fit? Comparing the credit records of young servicemembers and civilians | Consumer Financial Protection Bureau \(consumerfinance.gov\)](#).

company may not repossess the vehicle during the borrower's military service without a court order.³ *Auto finance companies have the burden* of identifying whether borrowers are protected by this provision of the SCRA, and servicemembers are not required to give notice of military status to receive this protection. Furthermore, auto finance companies who knowingly repossess, or attempt to repossess, a protected servicemember's vehicle may be guilty of a misdemeanor, with penalties of fines or imprisonment.⁴ The Department of Defense (DOD) operates a free and publicly accessible database where auto finance companies can verify a borrower's military status at <https://scra.dmdc.osd.mil/>.

Early Vehicle Lease Terminations

The SCRA also permits servicemembers to terminate motor vehicle leases early, *and without penalty*, after entering military service or receiving qualifying military orders for a permanent change of station or deployment.⁵ This protection also applies to the servicemember's dependents who are joint lessees.⁶ When servicemembers lawfully terminate motor vehicle leases, the SCRA requires that they be refunded all lease amounts paid in advance covering a period after the effective date of the termination. This includes "capitalized cost reduction" amounts paid by the servicemember upon signing a lease.⁷

Auto Loan Interest Rate Benefits

The SCRA limits the amount of interest (and most fees) that can be charged to servicemembers and their dependent co-borrowers on most loans that were incurred prior to military service to no more than 6% per year. This includes auto loans. To receive this benefit, servicemembers are required to submit written notice (which can be electronic) and provide the lender a copy of military orders, a letter from a commanding officer, or an "other appropriate indicator" of military service within 180 days of leaving military service. In response to a properly made request, *a creditor must*:

- forgive—not defer—interest greater than 6% per year;
- forgive this interest retroactively, back to the first day of SCRA eligibility; and
- not accelerate the payment of principal in response to a properly made request for a 6% interest rate cap.

Additional Resources

- *Verification of Military Service* – <https://scra.dmdc.osd.mil/> (auto lenders can verify a borrower's military status using DOD's Manpower Data Center (DMDC) database)
- *DOJ's Servicemembers and Veterans Initiative* – www.servicemembers.gov
- *CFPB's Office of Servicemember Affairs* – www.consumerfinance.gov/servicemembers

³ 50 U.S.C. § 3952(a).

⁴ *Id.* at § 3952(b)

⁵ *Id.* at § 3955(a)(1) & (b)(2).

⁶ *Id.* at § 3955(a)(2)

⁷ See *U.S. v. Nissan Motor Acceptance Corp.* (M.D. Tenn.); *U.S. v. BMW Financial Services* (D. N.J.).

Conclusion

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

Sincerely,



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



Rohit Chopra
Director
Consumer Financial Protection Bureau