



Servicemembers Civil Relief Act and Military Lending Act protections

Learn how the Servicemembers Civil Relief Act and the Military Lending Act provide interest rate relief and limits on loans to active-duty servicemembers.

Both of these federal laws provide consumer financial protections and benefits for servicemembers and sometime their dependents.

SERVICEMEMBERS CIVIL RELIEF ACT (SCRA)

The SCRA caps interest rate charges including late and other transaction fees to six percent (6%). The SCRA covers existing debts when a servicemember is on active duty. In other words, it only applies to debt incurred before active duty begins.

The SCRA applies to:

- Student loans
- Credit cards
- Car loans
- Mortgage loans
- Medical bills
- Installment loans
- Title loans

Joint loans qualify if the active duty servicemember is one of the owners and the loan was incurred before entering active duty.

During active duty, any interest charged over and above 6 percent must be forgiven. For mortgage loans, the interest rate can be reduced for the duration the servicemember is in the military plus one year.

The SCRA interest rate reduction does not happen automatically. To be eligible for the interest-rate reduction of the SCRA you must:

- **Notify each lender for which you have a legal obligation to pay.**
 - Some lenders have an online application process for SCRA benefits. If they don't, make the request in writing.
- **Know your rights.**
 - Lenders may not change the terms of the loan. For example, they cannot accelerate the payment schedule when a servicemember applies for an SCRA adjustment.
 - Lenders also cannot add the amount of interest above 6 percent back into the loan later after you leave active duty.

OTHER SCRA PROTECTIONS

In addition to the SCRA interest-rate reduction, there are other protections for servicemembers:

- **Servicemembers sued while on active duty have some protections from a default judgment in a civil action.** A default judgment is a court order in favor of the party or "plaintiff" suing the servicemember when he/she does not appear in court or defend herself against the lawsuit.

- **Servicemembers who took out a mortgage before active-duty service can't be foreclosed on without a court order, unless the servicemember has waived his/her rights.** This protection applies while on active-duty and for an additional one year after leaving active-duty. This protection also applies in states that do not require a court order to foreclose and whether the lender or servicer was informed about servicemember status.
- **In some circumstances, the SCRA prohibits creditors from repossessing servicemembers' personal property, including vehicles, without a court order.** That means that even if the servicemember violates a contract by, for example, failing to make monthly payments, the creditor must first file a lawsuit and get an order from a judge before the vehicle or personal property can be repossessed.
- **Servicemembers have the right to terminate residential leases of property that is occupied or intended to be occupied by the servicemember and his or her dependents.** In addition to this right for residential leases, under certain circumstances, the SCRA also allows servicemembers to cancel or terminate an auto lease without paying early termination charges or penalties.
- **Servicemembers and their dependents cannot be evicted from their primary residence without a court order.** Even with a court order, the eviction could be delayed for 90 days.

MILITARY LENDING ACT (MLA)

The MLA is different from the SCRA in that it applies to certain loans after a servicemember is on active duty. The MLA limits the interest rate and fees to 36 percent. This is called the Military Annual Percentage Rate or MAPR. Spouses and dependents are also protected by the MLA.

The MLA applies to:

- Certain payday loans
- Vehicle title loans
- Tax refund anticipation loans
- Deposit and advance loans
- Unsecured, open-end lines of credit
- Credit cards

The MLA also covers additional products sold with a loan and often wrapped into the loan including:

- Credit insurance premiums and fees
- Debt cancellation contract fees
- Fees associated with extra products

There are some loans the MLA doesn't cover - namely, credit that is secured by the property being purchased. These loans include:

- Residential mortgages (financing to buy or build a home that is secured by the home), mortgage refinances, home equity loans or lines of credit, or reverse mortgages
- A loan to buy a motor vehicle when the credit is secured by the motor vehicle you are buying
- A loan to buy personal property when the credit is secured by the property you're buying, like jewelry or a home appliance

The Department of Defense operates databases that lenders can use to verify that servicemembers are covered by the SCRA or MLA (including members of the Reserve or National Guard). The SCRA database can be found at scra.dmdc.osd.mil and the MLA database can be found at mla.dmdc.osd.mil.