

Consumer Compliance

Servicemembers Civil Relief Act

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Contents

Introduction.....	1
Background.....	1
Eligibility and Major Relief Provisions	2
Protections and Requirements Governing Contracts	4
Protections and Requirements in Judicial Proceedings	11
Risks Associated With SCRA Activities	16
Compliance Risk.....	17
Operational Risk	18
Strategic Risk	18
Risk Management	18
Examination Procedures	21
Scope.....	21
Quantity of Risk.....	23
Quality of Risk Management.....	25
Conclusions.....	31
Appendixes.....	32
Appendix A: Summary of SCRA Amendments	32
Appendix B: Applicability of SCRA	39
Appendix C: SCRA Risk Assessment	40
Appendix D: Comparison of SCRA and MLA Protections.....	49
Appendix E: SCRA Examples	53
Abbreviations	55
References.....	56
Table of Updates Since Publication.....	58

Introduction

The Office of the Comptroller of the Currency's (OCC) *Comptroller's Handbook* booklet, "Servicemembers Civil Relief Act," is prepared for use by OCC examiners in connection with their examination and supervision of national banks, federal savings associations, and federal branches and agencies of foreign banking organizations (collectively, banks). Each bank is different and may present specific issues. Accordingly, examiners should apply the information in this booklet consistent with each bank's individual circumstances.

This booklet provides background information and expanded examination procedures for the Servicemembers Civil Relief Act of 2003 (SCRA).¹ Examiners decide which expanded procedures are necessary, if any, after completing the compliance core assessment as outlined in the "Community Bank Supervision," "Federal Branches and Agencies Supervision," or "Large Bank Supervision" booklets of the *Comptroller's Handbook*.

The depth of the SCRA review, including whether transaction testing is conducted, should be based on the bank's risk. (Updated in version 1.1)

Background

The purposes of the SCRA are

- to provide for, strengthen, and expedite the national defense through protections extended by the SCRA to servicemembers of the United States to enable them to devote their entire energy to the defense needs of the nation, and
- to provide for the temporary suspension of judicial and administrative proceedings and transactions that may adversely affect the civil rights of servicemembers during their military service.

Among other things, the SCRA establishes a maximum of 6 percent interest on financial obligations incurred by servicemembers before military service, restricts foreclosures on obligations held or guaranteed by servicemembers, provides protections against default judgments, and permits early termination of certain leases, including motor vehicle leases.

¹ Refer to 50 USC 3901 et seq., "Servicemembers Civil Relief Act" (formerly 50 USC Appendix 501 et seq.). Refer to appendix A of this booklet for a summary of the SCRA's legislative history and corresponding changes.

Eligibility and Major Relief Provisions

The SCRA protects servicemembers² during periods of military service. Some of the benefits accorded to servicemembers by the SCRA also extend to servicemembers' dependents.³

For servicemembers who are members of the U.S. Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard, military service is defined as active duty. Active duty is full-time duty—including full-time training duty, annual training duty, and attendance—while in the active military service of the United States, at a school designated as a service school by law or by the secretary of the military department concerned (50 USC 3911(2)(A)(i); 10 USC 101(d)(1)). (Updated in version 1.1)

For members of the National Guard, military service includes service under a call to active service authorized by the President or Secretary of Defense for a period of more than 30 consecutive days under 32 USC 502(f) for purposes of responding to a national emergency declared by the President and supported by federal funds (50 USC 3911(2)(A)(ii)).

For citizens of the United States, military service includes service with forces of a nation with which the United States is allied in the prosecution of a war or military action (50 USC 3914).

Military service also includes

- servicemembers who are in active service as commissioned officers of the U.S. Public Health Service or the National Oceanic and Atmospheric Administration (50 USC 3911(2)(B)).
- any period during which a servicemember is absent from duty on account of sickness, wounds, leave, or other lawful cause (50 USC 3911(2)(C)).

² Servicemember means a member of the “uniformed services.” The term “uniformed services” means the “armed forces” (which means the Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard), the commissioned corps of the National Oceanic and Atmospheric Administration, and the commissioned corps of the U.S. Public Health Service (50 USC 3911(1); 10 USC 101(a)(5)). A legal representative of a servicemember for purposes of the SCRA is either an attorney acting on the behalf of a servicemember or an individual possessing a power of attorney. The term “servicemember” includes a legal representative of a servicemember (50 USC 3920(a)(1) and (2)).

The Space Force was established as an armed force on December 20, 2019, with the signing of the U.S. Space Force Act, part of the National Defense Authorization Act for 2020, Pub. L. 116-92 section 952(c), which amended 10 USC 101(a)(4) by adding the Space Force. While the definition of military service in 50 USC 3911(2) has not been amended to specifically include the Space Force, the Space Force was placed within the Department of the Air Force by 10 USC 9081 and the Air Force is included in 50 USC 3911(2).

³ Servicemember dependent(s) include a servicemember’s spouse, children (who are unmarried and (1) under age 18, (2) before attaining age 18 became permanently incapable of self-support, or (3) age 18 to 23 and pursuing a course of instruction at an approved educational institution), and any other person for whom the servicemember has provided more than half of the individual’s support for 180 days immediately preceding an application for relief under this chapter (50 USC 3911(4); 38 USC 101(4)).

The SCRA provides guidance on when a court may extend SCRA protections to persons who are secondarily liable for an obligation or liability. These include a surety, guarantor, endorser, accommodation maker, comaker, or other person who is or may be primarily or secondarily subject to the obligation or liability (50 USC 3913).

The SCRA also provides guidance on codefendants who are not in military service. If the servicemember is a codefendant with others who are not in military service and who are not entitled to SCRA relief and protections, the plaintiff may proceed against those other defendants with the approval of the court (50 USC 3935(b)).

The SCRA does not provide guidance on, or define types of, covered financial obligations, products, or services (collectively, products). Thus, it is important to conduct a case-by-case analysis of bank products and services to determine whether they may fall within any of the SCRA's general protections. This booklet discusses the SCRA's general provisions.

Servicemembers may waive any of the SCRA protections (50 USC 3918). A waiver must be in writing if applied to

- the modification, termination, or cancellation of a contract, lease, or bailment, or an obligation secured by a mortgage, trust, deed, or lien, or
- the repossession, retention, sale, forfeiture, or taking possession of property that is security for any obligation or was purchased or received under a contract, lease, or bailment.

A written waiver must be executed as a separate instrument from the obligation or liability to which it applies and must be executed during or after military service (50 USC 3918).

The SCRA is separate from the Military Lending Act (MLA) (10 USC 987). The MLA provides protections to servicemembers and their dependents that apply to consumer credit transactions entered into while serving on active duty.⁴ Consumer credit is credit that is offered or extended to a covered borrower primarily for personal, family, or household purposes, and is either subject to a finance charge or payable by a written agreement in more than four installments (32 CFR 232.3(f)(1)). For purposes of the MLA, consumer credit does not include residential mortgages; purchase money loans secured by a motor vehicle; purchase money loans secured by personal property; and credit transactions exempt from Regulation Z (other than a transaction exempt under 12 CFR 1026.29, involving state exemptions) (32 CFR 232.3(f)(2)). Refer to appendix D of this booklet for a comparison of the SCRA and MLA requirements.⁵

⁴ MLA protections apply to covered members, as that term is defined in 10 USC 987(i) and 32 CFR 232.3(g)(1), which includes members of the armed forces serving on active duty (under USC titles 10, 14, or 32) under a call or order that does not specify a period of 30 days or fewer or on active National Guard and Reserve duty, as that term is defined in 10 USC 101(d)(6). A dependent, with respect to covered members, means a person described in 10 USC 1072(2), subparagraph (A), (D), (E), or (I).

⁵ Refer to the "Military Lending Act" booklet of the *Comptroller's Handbook* for more information and examination procedures regarding the MLA.

Protections and Requirements Governing Contracts

The SCRA has provisions that govern banks' and servicemembers' rights under contracts for mortgages and trust deeds, and purchases or leases of premises and motor vehicles. As detailed more fully in the subsequent sections of this booklet, the SCRA's provisions concerning contractual agreements provide procedures, rights, and remedies in the event of foreclosures, repossession, collections, terminations, evictions, and assignments of contractual rights. Several of these procedures, rights, and remedies are subject to timing, communication, and documentation requirements.

Maximum Rate of Interest on Debts Incurred Before Military Service (50 USC 3937)

The SCRA sets a maximum rate of 6 percent interest⁶ per year on obligations or liabilities incurred by servicemembers, or the servicemember and their spouse jointly, before the servicemember entered military service.⁷ Because the provisions of the SCRA do not specify what types of financial obligations or liabilities are covered,⁸ a case-by-case analysis is necessary to determine the applicability of the 6 percent interest rate reduction. Generally, examiners should keep three factors in mind when evaluating the applicability of the 6 percent reduction to specific products:

- The time in which an obligation or liability was incurred.
- The date when the servicemember entered military service.
- The rate of interest for the obligation or liability as well as any service charges, renewal charges, fees, or any other charges.

The SCRA provides a basic framework for servicemembers to notify their lenders of their military status to receive an interest rate reduction. The statute also provides lenders with an option to use, in lieu of the notice and documentation framework, information retrieved from the Defense Manpower Data Center (DMDC). SCRA provides a safe harbor⁹ for lenders who opt to implement benefits in reliance upon the DMDC. (Updated in version 1.1)

⁶ Interest includes service charges, renewal charges, fees, or any other charges (except bona fide insurance) with respect to an obligation or liability (50 USC 3937(d)(1)).

⁷ The SCRA limitation on interest rates did not apply to federally insured student loans made under a government student loan program based on 20 USC 1078(d) until August 14, 2008. Private student loans originated before August 14, 2008, however, were covered by SCRA protections. The other provisions of the SCRA, including those providing for a stay of proceedings and reopening default judgments, remain available to servicemembers. See U.S. Department of Education Memorandum GEN-16-20, "Retroactive Adjustments for SCRA from August 14, 2008, Onward," November 10, 2016.

⁸ The SCRA does, however, make clear that the 6 percent interest rate limitation applies to mortgages, trust deeds, or other securities in the nature of a mortgage (50 USC 3937(d)(2)).

⁹ The safe harbor provided for checking the Defense Manpower Data Center is applicable only to determining the interest rate cap (50 USC 3937(b)(1)(B)(ii)) and is not applied to SCRA requirements more broadly. (Updated in version 1.1)

When a servicemember is in military service, and the servicemember has a liability or obligation incurred before the date of such service with an interest rate in excess of 6 percent, the servicemember is eligible for an interest rate reduction in accordance with the SCRA. The SCRA does not permit lenders to accelerate principal repayment for liabilities and obligations covered by the 6 percent interest reduction (50 USC 3937(a)(3)). (Updated in version 1.1)

Borrower Notice and Documentation

At any time during military service, or within 180 days after the end of military service, the servicemember may provide a written notice and a copy of the servicemember's military orders or any other appropriate indicator of military service, including a certified letter from a commanding officer to the bank (50 USC 3937(b)(1)(A)).

Independent Bank Verification

In lieu of notice and documentation provided by a servicemember, a bank may independently use information retrieved from the DMDC through the bank's normal business reviews of the DMDC for purposes of obtaining information indicating that the servicemember is on active duty (50 USC 3937(b)(1)(B)(i)). (Updated in version 1.1)

Safe Harbor for Independent Verification

A bank that uses the information retrieved from the DMDC with respect to a servicemember has not failed to treat the debt of the servicemember in accordance with the interest rate limitation in 50 USC 3937(a) if

- such information indicates that on the date the bank retrieves such information, the servicemember is not in military service; and
- the bank has not, by the end of the 180-day period, received the written notice and documentation required under that subparagraph with respect to the servicemember. (Updated in version 1.1)

Implementation of Limitation

Upon receiving a written notice and appropriate documentation of military service, banks must reduce the interest on debts incurred by a servicemember, or a servicemember and his or her spouse jointly, before entry into military service to no more than 6 percent. The interest rate reduction is effective during a servicemember's period of military service (and for one year thereafter, in the case of an obligation or liability consisting of a mortgage, trust deed, or other security in the nature of a mortgage), and must be applied retroactively to account for the entire period of military service. (Updated in version 1.1)

The following are some important factors for examiners to keep in mind:

- Because the SCRA defines interest to include service charges, renewal charges, fees, or any other charges (except bona fide insurance), banks may need to decrease or eliminate fees and other charges, such as annual fees, to comply with the 6 percent interest rate cap, in addition to reducing the actual interest rate.
- A bank that reduces the interest rate on an obligation or liability of a servicemember that bears interest in excess of 6 percent must forgive interest in excess of 6 percent, and periodic payments must be reduced by the amount of interest forgiven.
- Because the SCRA prevents acceleration of principal, banks must reduce the amount of any periodic payment due from a servicemember by the amount of the interest forgiven (50 USC 3937(a)(3) and (d)(2)).
- The bank also must account for any interest payments that have been made in excess of the 6 percent rate during the period in which the reduced rate applies. Banks may provide excess payments to the servicemember as a refund. (Updated in version 1.1)

The reduced interest rate provision applies unless a creditor seeks relief in court¹⁰ and the court finds the ability of the servicemember to pay interest on the debt at a higher interest rate is not materially affected by the servicemember's military service. In such cases, the court may grant a bank relief from the interest rate limitations with respect to that servicemember (50 USC 3937(c)).

Once the applicable protection period for servicemembers has concluded, banks may return to the initial terms of the liability or obligation.¹¹ Refer to appendix E of this booklet for an example.

¹⁰ "Court" means a court or an administrative agency of the United States or of any state (including any political subdivision of a state), whether or not it is a court or administrative agency of record (50 USC 3911(5)).

¹¹ Credit card balances outstanding before active duty are protected by the SCRA interest rate cap of 6 percent. The Truth in Lending Act permits the card issuer to return to the pre-service credit card terms including increasing the rate, fees, or charges once 50 USC 3937 no longer applies, as long as the issuer does not apply an interest rate that exceeds the pre-service credit card terms to any transaction that occurred before the period of military service (12 CFR 1026.55(b)(6)). Refer to OCC Bulletin 2021-51, "Truth in Lending Act: Revised Interagency Examination Procedures and Rescissions," for more information regarding Truth in Lending Act-related issues. For instance, the return to the pre-service credit card terms is also exempt from the requirements concerning reevaluation of rate increases (12 CFR 1026.59(h)). The issuer must provide the advance notice disclosures required by 12 CFR 1026.9(c)(2)(iv)(A), but need not provide the advance notice disclosures required by 12 CFR 1026.9(c)(2)(iv)(B). (Updated in version 1.1)

Servicemember Protections Under Installment Contracts for Purchases or Leases (50 USC 3952)

The SCRA prohibits lenders from rescinding or terminating a contract for the purchase of real or personal property (including motor vehicles),¹² or the lease or bailment of such property, absent a court order. This protection applies only to contracts for which a deposit or at least one installment payment has been made by the servicemember before the servicemember entered military service. Lenders that knowingly violate this law by resuming possession of the property may be subject to fines and imprisonment.

The SCRA grants state¹³ and federal courts three remedial options when addressing a bank's request to repossess a property held by a servicemember that is collateral under an installment contract (50 USC 3952). Remedial options provided to courts include the following (50 USC 3952(c)):

- The court may order repayment of prior installments or deposits to the borrower as a condition of terminating the contract and resuming repossession of the property.
- The court can, on its own motion or at the servicemember's request, halt the legal proceedings for a period of time if the servicemember's ability to comply with the contract is materially affected by their military service. (Updated in version 1.1)
- The court may make other dispositions as are equitable to preserve the interests of all parties.

Mortgages and Trust Deeds (50 USC 3953)

The SCRA extends protections to obligations on real or personal property owned by a servicemember that

- originated before the servicemember's military service and the servicemember is still obligated to the debt, and
- is secured by a mortgage, trust deed, or other security in the nature of a mortgage.

If a lender files suit to enforce an obligation meeting the above qualifications against a servicemember in military service or within one year of service, the SCRA grants servicemembers and courts a variety of protective options for the servicemember.¹⁴ A servicemember may request a hearing and a stay of the proceedings, or the court, on its own

¹² "Motor vehicle" has the meaning given that term in the Transportation Act, namely a vehicle driven or drawn by mechanical power and manufactured primarily for use on public streets, roads, and highways, but does not include a vehicle operated only on a rail line (50 USC 3911(8); 49 USC 30102(a)(7)).

¹³ For SCRA purposes, "state" includes a commonwealth, territory, or possession of the United States, and the District of Columbia (50 USC 3911(6)).

¹⁴ 50 USC 3953 addresses the topics of mortgage and nonjudicial foreclosures. During a period of military service, and for one year after a period of military service (the "tail coverage" period), a creditor must get a court order before foreclosing on a mortgage. This is a strict liability section of the SCRA, and a person who knowingly violates this provision may be fined and imprisoned for up to one year (50 USC 3953(d)).

accord, may conduct a hearing and decide to grant a stay of proceedings. If a court decides that action is necessary to protect the interests of the parties, the SCRA provides courts with two options:

- The court may stay the proceedings “for a period for time as justice and equity require” (50 USC 3953(b)(1)), or
- The court may “adjust the obligation to preserve the interest of all parties” (50 USC 3953(b)(2)).

If a lender seeks to compel or secure a sale, foreclosure, or seizure of property on a mortgage, trust deed, or other security obligation in the nature of a mortgage, the SCRA provides that such actions shall not be valid if made during, or within one year after, the period of the servicemember’s military service except

- upon a court order granted before the sale, foreclosure, or seizure (50 USC 3953(c)(2)), or
- if made pursuant to a servicemember’s written agreement to waive his or her rights or protections under the SCRA (50 USC 3918). This includes repossession, retention, foreclosure, sale, forfeiture, or taking possession of property that is security for any obligation or was purchased or received under a contract, lease, or bailment (50 USC 3918(b)(2)).

Lease Terminations (50 USC 3955)

The SCRA has rights and procedural protections for servicemembers who lease residential or personal property. In certain circumstances, a servicemember or his or her spouse has the option to terminate leases of residential property and motor vehicles (50 USC 3955).¹⁵

Leased Premises

To qualify for protections, a premises lease must meet the following requirements:¹⁶

- The lease must be for a premise occupied or intended to be occupied by a servicemember or a servicemember’s dependents for a residential, professional, business, agricultural, or similar purpose (50 USC 3955(b)(1)) and meet one of the following additional qualifications:
 - The lease was executed by or on behalf of a person who enters military service during the term of the lease (50 USC 3955(b)(1)(A)).

¹⁵ The National Defense Authorization Act of 2020, Pub. L. 116-92, Section 546 (December 20, 2019), amended the definition of military orders required for termination of leases by inserting “including orders for separation or retirement” after “official military orders,” and adding that “permanent change of station” includes separation or retirement from military service.

¹⁶ 50 USC 3955 also covers arrearages and other obligations and liabilities (50 USC 3955(e)), rent paid in advance (50 USC 3955(f)), relief to lessor (50 USC 3955(g)), and penalties for noncompliance (50 USC 5933(h)).

- The lease was executed by a servicemember while in military service, and the servicemember subsequently received military orders for a permanent change of station (PCS) or to deploy with a military unit, or as an individual in support of a military operation, for a period of not less than 90 days (50 USC 3955(b)(1)(B)).
- The lease was executed by a servicemember while in military service upon receipt of military orders for a PCS or to deploy with a military unit, or as an individual in support of a military operation, for a period of not less than 90 days and thereafter the servicemember receives a stop movement order issued by the Secretary of Defense in response to a local, national, or global emergency, effective for an indefinite period or for a period of not less than 30 days, which prevents the servicemember or servicemember's dependents from occupying the lease for a residential, professional, business, agricultural, or similar purpose (50 USC 3955(b)(1)(C)).

Motor Vehicle Leases

To qualify for protections, a motor vehicle lease must meet the following criteria:

- The lease must be for a motor vehicle used, or intended to be used, by a servicemember or a servicemember's dependents for personal or business transportation and meet one of the following additional qualifications:
 - The lease was executed by or on behalf of a person who subsequently and during the term of the lease enters military service under orders of not less than 180 days (50 USC 3955(b)(2)(A)).
 - The servicemember, while in military service, executed the lease and receives military orders for a PCS from a location inside the continental United States to a location outside of the continental United States, a PCS from a state outside the continental United States to a location outside that state, deployment with a military unit, or as an individual in support of a military operation for a period of 180 days or more (50 USC 3955(b)(2)(B)).
 - The servicemember while in military service executed the lease and receives military orders for a PCS from a location inside the continental United States to a location outside of the continental United States, a PCS from a state outside the continental United States to a location outside that state, deployment with a military unit, or as an individual in support of a military operation for a period of 180 days or more and thereafter receives a stop movement order issued by the Secretary of Defense in response to a local, national, or global emergency, effective for an indefinite period or for a period of not less than 30 days, which prevents the servicemember, or the servicemember's dependents, from using the vehicle for personal or business transportation (50 USC 3955(b)(2)(C)).

Lease Termination

To terminate a premises or motor vehicle lease, the SCRA requires a lessee to deliver a written notice of termination and a copy of either the servicemember's official military orders, or any notification, certification, or verification from the servicemember's

commanding officer, with respect to the servicemember's current or future military service (50 USC 3955(c)(1)(A) and 3955(i)(1)).¹⁷

Delivery of notice may be made by (50 USC 3955(c)(2))

- hand delivery,
- private business carrier, or
- placing the written notice in an envelope with sufficient postage and return receipt requested and
 - addressing the envelope as designated by the lessor (or the lessor's grantee) or to the lessor's agent (or the agent's grantee), and
 - depositing the envelope with the written notice in the U.S. mail.

Delivery of notice regarding termination of a motor vehicle lease also requires returning the automobile to the lessor within 15 days after delivery of the written notice of termination (50 USC 3955(c)(1)).

The spouse of a servicemember, or someone exercising power of attorney on the servicemember's behalf, may terminate the lease(s) of a premises or motor vehicle(s) in the event that the servicemember dies or suffers catastrophic illness or injury while in military service, on full-time National Guard duty, on active National Guard or Reserve duty, or on inactive-duty training. Additionally, a lessee's termination of a joint lease pursuant to section 3955 shall terminate any obligation a dependent of the lessee may have under the lease (50 USC 3955(a)(2) and (4)).

Life Insurance Assigned as Security (50 USC 3957)

If a bank accepts a life insurance policy on the life of a servicemember as security for an obligation and that assignment was before military service, the bank may not exercise any right or option obtained under the assignment during the period of the servicemember's military service, or within one year thereafter, without a court order. This prohibition does not apply if the bank has written consent from the insured made during the period of military service or within one year thereafter. The prohibition does not apply if the assignee is an insurer and the loan is a policy loan.

This prohibition no longer applies upon the death of the servicemember whose life is insured under the policy. This prohibition also does not apply when the premiums on the policy are due and unpaid; however, premiums guaranteed by the United States are not considered due and unpaid for purposes of 50 USC 3957.¹⁸

¹⁷ 50 USC 3955(i)(1) predates the 2019 National Defense Authorization Act amendments to the SCRA regarding appropriate forms of notification.

¹⁸ 50 USC 3971–3979 contain further details about life insurance coverage available to servicemembers.

No Penalization for Use of SCRA Protections (50 USC 3919)

The fact that a servicemember applies for or receives a stay, postponement, or suspension of the servicemember's obligations or liabilities pursuant to the SCRA may not in itself provide the basis for

- a determination by a lender or other person that the servicemember is unable to pay the obligation or liability in accordance with its terms.
- a denial or revocation of credit by the creditor, change in terms of an existing credit arrangement, or refusal to grant credit to the servicemember in substantially the amount or on substantially the terms requested.
- an adverse report relating to the creditworthiness of the servicemember by or to a consumer reporting agency.
- a refusal by an insurer to insure the servicemember.
- an annotation in a servicemember's record by a bank or person engaged in the practice of assembling or evaluating consumer credit information identifying the servicemember as a member of the National Guard or a Reserve component.
- a change in the terms offered or conditions required for the issuance of insurance.

Protections and Requirements in Judicial Proceedings

The SCRA has several protections with respect to claims litigated against a servicemember while in military service, including

- protection against the entry of default judgments.¹⁹
- stay of proceedings when the servicemember has notice of the proceeding.
- provisions concerning fines and penalties under contract.
- stay or vacation of execution of judgments, attachments, and garnishments.
- procedures and rights governing persons secondarily liable and codefendants not in military service.

The language of the SCRA states that the SCRA is generally applicable in any action or proceeding commenced in any court. The SCRA applies to all legal actions or proceedings to collect or enforce a liability or obligation held by the servicemember, including but not limited to state and federal court actions, and actions before a bankruptcy court. The SCRA also limits the accrual of certain fines and penalties during the period of the stay.

Protection Against Default Judgments (50 USC 3931)

The SCRA establishes certain procedures that courts must follow in all civil proceedings in which the servicemember defendant does not make an appearance to protect servicemember defendants against the entry of default judgments. These procedures are as follows:

¹⁹ A judgment is defined as any judgment, decree, order, or ruling, final or temporary (50 USC 3911(9)).

- If a defendant is in default for failure to appear in the action filed by the plaintiff, the plaintiff must file an affidavit with the court before a default judgment may be entered. The affidavit must state whether the defendant is in military service, or that the plaintiff was unable to determine whether the defendant is in military service. The requirement for an affidavit may be satisfied by a statement, declaration, verification, or certificate in writing subscribed and certified or declared to be true under penalty of perjury (50 USC 3931(b)(1) and (4)).
- If, based on the filed affidavits, the court cannot determine whether the defendant is in military service, it may condition entry of judgment against the defendant upon the plaintiff's filing of a bond in an amount approved by the court. If the defendant is later found to be in military service and the judgment is set aside in whole or in part, the bond would indemnify the defendant against any loss or damage incurred because of the judgment (50 USC 3931(b)(3)).
- The court may not order entry of judgment against the defendant if the defendant is in military service until after the court appoints an attorney to represent the defendant (50 USC 3931(b)(2)).
- If requested by counsel for a servicemember defendant, or upon the court's own motion, the court shall grant a stay of proceedings for no less than 90 days if it determines that (1) there may be a defense and the defense cannot be presented without the defendant's presence; or (2) after due diligence, the defendant's attorney has not been able to contact the defendant or otherwise determine whether a meritorious defense exists (50 USC 3931(d)).
- If a default judgment is entered against the defendant while he or she is in military service, or within 60 days of discharge from military service, the court entering the judgment must, upon application by or on behalf of the servicemember, reopen the judgment and allow the servicemember to defend the action if it appears that (1) the servicemember was materially prejudiced in making a defense by reason of his or her military service, and (2) the servicemember has a meritorious or legal defense to the action or some part of it (50 USC 3931(g)(1)). An application under 50 USC 3931 must be filed not later than 90 days after the date of the termination or release from military service (50 USC 3931(g)(2)).
- If a court vacates, sets aside, or reverses a default judgment against a servicemember because of the SCRA, that action shall not impair a right or title acquired by a bona fide purchaser for value under the default judgment (50 USC 3931(h)).

Evictions (50 USC 3951)

In addition to protecting servicemembers from foreclosure or repossession of real property, the SCRA extends protections to servicemembers from evictions. Examiners should be mindful of these protections, particularly in connection with real estate obtained by a bank through foreclosure on a federally related mortgage loan, or dwelling, or residential real property, or when a bank becomes a successor in interest in such a property, that is occupied by a servicemember tenant.²⁰ The SCRA provides that a landlord or any person with

²⁰ Banks that foreclose on a federally related mortgage loan, dwelling, or residential real property, or become a successor in interest in such a property, assume the property subject to the rights of any bona fide tenant and must comply with certain timing and notice requirements in the Protecting Tenants at Foreclosure Act

paramount title may not evict a servicemember or the servicemember's dependents from certain dwellings during a period of military service except by court order or written waiver from the servicemember as provided by 50 USC 3918. The SCRA's eviction protections apply if the servicemember's lease meets the following criteria:

- The lease is for a property that is occupied or intended to be occupied as a residence.
- The monthly rent does not exceed a maximum housing rental amount that is adjusted for inflation and published annually in the *Federal Register* by the Secretary of Defense.²¹

Upon an application for eviction or distress, the court may on its own motion, or if a request is made by or on behalf of a servicemember whose ability to pay the agreed rent is materially affected by military service, the court shall

- stay the proceedings for a period of 90 days, unless in the opinion of the court, justice and equity require a longer or shorter period of time; or
- adjust the obligation under the lease to preserve the interests of all parties.

If a stay is granted, the court may grant to the landlord such relief as equity may require and may require a rent allotment from pay of the servicemember, subject to certain restrictions.

Stay of Proceedings When Servicemember Has Notice (50 USC 3932)

Outside the default context, and at any time before final judgment in a civil action, a person covered by the SCRA who has received notice of a proceeding may ask the court to stay the proceeding (50 USC 3932). The court shall grant the servicemember's stay application for at least 90 days if the application includes (1) a letter or other communication setting forth facts demonstrating that the individual's current military duty requirements materially affect the servicemember's ability to appear, along with a date when the servicemember will be able to appear; and (2) a letter or other communication from the servicemember's commanding officer stating that the servicemember's current military duty prevents the servicemember's appearance and that military leave is not authorized for the servicemember at the time of the letter. The court has discretion to grant additional stays upon further application. The court may also order a stay on its own motion.

Other considerations for granting a stay of proceedings include the following:

- The protections of 50 USC 3932 do not apply to evictions (50 USC 3932(f); refer to 50 USC 3951, which addresses evictions and distress).

(12 USC 5201 note, 12 USC 5220 note, and 42 USC 1437f note). For more information, refer to the "Protecting Tenants at Foreclosure Act" booklet of the *Comptroller's Handbook*.

²¹ As of the date of this publication, the most recent maximum monthly housing rental amounts are \$10,239.63 as of January 1, 2025, and \$9,812.12 as of January 1, 2024. See "Notice of Housing Price Inflation Adjustment," Department of Defense, 90 Fed. Reg. 21473 (May 20, 2025), and 89 Fed. Reg. 22699 (April 2, 2024), respectively. (Updated in version 1.1)

- The servicemember must be in military service or within 90 days after termination of or release from military service.
- An application for a stay does not constitute an appearance and does not constitute a waiver of any substantive or procedural defense.
- If the court refuses to grant an additional stay of proceedings, it shall appoint legal counsel to represent the servicemember.

Fines and Penalties Under Contracts (50 USC 3933)

When an action for compliance with the terms of a contract is stayed, a penalty shall not accrue for failure to comply with the terms of the contract during the period of the stay (50 USC 3933). If a servicemember fails to perform an obligation arising under a contract and a penalty is incurred arising from that nonperformance, a court may reduce or waive the fine or penalty if

- the servicemember was in military service at the time the fine or penalty was incurred; and
- the ability of the servicemember to perform the obligation was materially affected by such military service.

Stay or Vacation of Execution of Judgments, Attachments, and Garnishments (50 USC 3934, 3935)

In the case of a judgment or order entered against a servicemember, if a court finds that a servicemember's ability to comply with the judgment or garnishment is materially affected by military service, the court may on its own motion and must upon application by the servicemember (1) stay the execution of any judgment or order entered against a servicemember and (2) vacate or stay any attachment or garnishment of the servicemember's property or assets, whether before or after judgment (50 USC 3934).

The stay of execution may be ordered for any part of the servicemember's military service or within 90 days after such service terminates. The court may order the servicemember to make installment payments during any stay ordered but not during a stay ordered under section 3932 (50 USC 3935(a)).

Persons Secondarily Liable (50 USC 3913) and Codefendants Not in Service (50 USC 3935)

Whenever a court grants a stay, postponement, or suspension to a servicemember of an obligation or liability, prosecution of a suit or proceeding, entry of enforcement of an order, writ, judgment, or decree, or the performance of any other act, the court may likewise grant such a stay, postponement, or suspension for a person primarily or secondarily liable (50 USC 3913).

If the servicemember is a codefendant with others who are not in military service and who are not entitled to the relief and protections provided under the SCRA, the plaintiff may

proceed against those other defendants with the approval of the court (50 USC 3935(b)). 50 USC 3935 does not apply to other defendants when a servicemember is granted a stay of civil proceedings under 50 USC 3932 or is granted anticipatory relief from enforcement of real estate contracts or other contracts (e.g., any other obligation, liability, tax, or assessment) under 50 USC 4021. The court may, however, also grant a stay with respect to the servicemember's codefendants (50 USC 3913(a)).

Notice of Default on Mortgages Insured by U.S. Department of Housing and Urban Development (12 USC 1701x(c)(5))

All mortgage loans, including conventional mortgages and mortgages insured by the U.S. Department of Housing and Urban Development (HUD), are subject to a notification requirement to provide homeowners with notice of SCRA rights.²² The prescribed notice must

- be sent to all homeowners who are in default on a residential mortgage;
- include the toll-free Military OneSource number to call if servicemembers or their dependents require further assistance ((800) 342-9647); and
- be made within 45 days from the date a missed payment was due, unless the homeowner pays the overdue amount before the expiration of the 45-day period.

Record Retention

Although the SCRA does not include specific record retention requirements, other compliance regulations do. For example, the Real Estate Settlement Procedures Act (RESPA) requires that loan servicers retain certain records and maintain particular documents in a manner that facilitates compiling such documents and data into a servicing file (12 CFR 1024.38(c)).²³ The creditor must retain evidence of compliance with Regulation Z for varying periods (refer to the "Record Retention-12 CFR 1026.25" section of the "Truth in Lending Act (Interagency)" booklet of the *Comptroller's Handbook* for a summary of the retention periods).²⁴ (Updated in version 1.1)

²² The 2006 National Defense Authorization Act directed HUD to develop, in consultation with the Departments of Defense and Treasury, a form to provide homeowners with notice of servicemember rights under the SCRA. As the result of this process, HUD issued the form "Servicemembers Civil Relief Act Notice Disclosure." HUD made the form available on its website in July 2006 and updates the notice periodically (72 Fed. Reg. 14130).

²³ RESPA applies to all federally related mortgage loans, except as provided under 12 CFR 1024.5(b) and (d) (12 CFR 1024.5(a)). RESPA also describes a servicer's use of documents for purposes of loss mitigation (12 CFR 1024.41) and contains record-keeping requirements or evidence of compliance for documenting actions taken with respect to servicing a borrower's mortgage loan account until one year after the date a mortgage loan is discharged or servicing is transferred by the servicer to a transferee servicer (12 CFR 1024.10(e), 12 CFR 1024.38(c)(1)). Refer to the "Real Estate Settlement Procedures Act" booklet of the *Comptroller's Handbook* for further details.

²⁴ Refer to the "Truth in Lending Act (Interagency)" booklet of the *Comptroller's Handbook*.

The bank should maintain records to demonstrate its compliance with the SCRA. The type and extent of documentation vary based upon the products and services used by the borrower and the bank's specific processes. For example, an effective record retention system might support the bank's eligibility for a safe harbor protection and might include documenting the basis of the bank's determination of an account's eligibility for SCRA benefits or protections, or of the bank's denial of such benefits or protections. In addition, procedures for maintaining documentation might include

- the dates of military service for servicemembers who request SCRA benefits or who are otherwise potentially entitled to SCRA protection.
- the method, date, and results of military status verifications before seeking or obtaining a default judgment on an account of a servicemember covered by the SCRA.
- dates of any correspondence with a servicemember covered by the SCRA.
- the calculation of benefits or protections provided to the servicemember pursuant to the SCRA.

Risks Associated With SCRA Activities

From a supervisory perspective, risk is the potential that events will have an adverse effect on a bank's current or projected financial condition²⁵ and resilience.²⁶ The OCC has defined seven categories of risk for bank supervision purposes: credit, interest rate, liquidity, price, operational, compliance, and strategic. These categories are not mutually exclusive. Any product or service may expose a bank to multiple risks. Risks also may be interdependent and may be positively or negatively correlated. Examiners should be aware of and assess this interdependence. Examiners also should be alert to concentrations that can significantly elevate risk. Concentrations can accumulate within and across products, business lines, geographic areas, countries, and legal entities. Refer to the "Bank Supervision Process" booklet of the *Comptroller's Handbook* for an expanded discussion of banking risks and their definitions. (Updated in version 1.1)

A bank's SCRA activities can result in compliance, operational, and strategic risks. (Updated in version 1.1)

There are many factors that can affect SCRA risk exposure (e.g., previous violations, geographic areas, concentrations, quality and availability of metrics, and third-party relationships). Quality metrics are measurements of the value and performance of products, services, and processes (e.g., customer satisfaction, ratings, failure rate, quality of service, quality control, and defect rates). In general, increased risk is associated with metrics

²⁵ Financial condition includes impacts from diminished capital and liquidity. Capital in this context includes potential impacts from losses, reduced earnings, and market value of equity.

²⁶ Resilience recognizes the bank's ability to withstand periods of stress.

indicating inadequate or deteriorating performance. Further, the root cause of low-quality metrics could factor into the quality of risk management.²⁷

When evaluating the quantity of compliance, operational, or strategic risks associated with a bank's SCRA activities, examiners may consider the following:

- Volumes of products and transactions (e.g., loans, leases, credit cards, student loans, and other services and accounts in the bank's portfolio) that could be subject to SCRA protections.
- Number of SCRA protection requests the bank receives as well as the volume of mortgage loan foreclosures and automobile repossessions at the bank.
- Trends, patterns, and volumes of SCRA-related violations, program weaknesses, litigation, remediation requirements, customer complaints, and whistleblower referrals.
- Effect of an increasing number of transactions on operational activities for determining whether a customer is eligible for SCRA protections and for processing SCRA protections.
- Volume of staff turnover and frequency of training about the SCRA and the operating systems and processes to control compliance risk.
- Strategic planning in relation to the volume of customers eligible for SCRA protections.
- Effect of potential legislative, regulatory, accounting, operational, and technological changes on managing SCRA compliance. (Updated in version 1.1)

Appendix C of this booklet lists risk indicators examiners may consider when assessing the quantity of risks associated with SCRA activities.

Compliance Risk

Compliance risk is the risk to current or projected financial condition and resilience arising from violations of laws or regulations, or from nonconformance with prescribed practices, internal bank policies and procedures, or ethical standards. This risk exposes a bank to potential fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can result in harm to bank customers, limited business opportunities, and lessened expansion potential. (Updated in version 1.1)

Banks must comply with all applicable laws and regulations, including the SCRA, regardless of whether activities are performed in-house or through a third party. Many other federal consumer protection laws are also relevant to lending to servicemembers, such as the Equal Credit Opportunity Act, Fair Housing Act, Fair Credit Reporting Act, Fair Debt Collection Practices Act, Truth in Lending Act, RESPA, MLA, Protecting Tenants at Foreclosure Act, and laws prohibiting unfair or deceptive acts or practices.

Lenders that knowingly violate SCRA protections under installment contracts for purchases or leases and resume possession of the property may be subject to fines and imprisonment.

²⁷ For more information about assessing the quality of risk management, refer to the "Risk Management" section of this booklet.

Courts may order repayment to a servicemember of all or part of prior installments or deposits as a condition of terminating a contract and resuming possession of the property (50 USC 3952).

Operational Risk

Operational risk is the risk to current or projected financial condition and resilience arising from inadequate or failed internal processes or systems, human errors or misconduct, or adverse external events.

Operational risk in SCRA-covered lending is often elevated with higher volumes of loans, larger numbers of transactions processed, and more extensive use of automation and technology. Highly automated environments can pose heightened operational risk exposure that can result in compliance risk, as automated environments can compound errors. Operational risk can also result when a bank outsources operational functions (e.g., covered borrower verification, loan origination, account management, collections, payment processing, data input, and legal assistance) to third parties.²⁸ (Updated in version 1.1)

Strategic Risk

Strategic risk is the risk to current or projected financial condition and resilience arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the banking industry and operating environment.

Incomplete or inadequate consideration of the SCRA when engaging in new, modified, or expanded products or services (collectively, new activities) covered by the SCRA can expose the bank to strategic risk. New activities should encourage fair access to financial services and fair treatment of consumers and must comply with applicable laws and regulations.²⁹

Risk Management

Each bank should identify, measure, monitor, and control risk by implementing an effective risk management system appropriate for the size and complexity of its operations. When examiners assess the effectiveness of a bank's risk management system, they consider the quantity and quality of risk management, including the bank's policies, processes, personnel, and control systems. Refer to the "Corporate and Risk Governance" booklet of the *Comptroller's Handbook* for an expanded discussion of a bank's overall risk management system. Refer to the "Compliance Management Systems" booklet of the *Comptroller's Handbook* for an expanded discussion relating to risk management regarding consumer protection-related laws and regulations.

²⁸ For more guidance on third-party relationships, refer to OCC Bulletin 2023-17, "Third-Party Relationships: Interagency Guidance on Risk Management." (Updated in version 1.1)

²⁹ For more guidance on new activities, refer to OCC Bulletin 2017-43, "New, Modified, or Expanded Bank Products and Services: Risk Management Principles."

Examiners should draw conclusions on the quantity of a bank's SCRA risks and assess whether the bank's risk management practices are commensurate with the quantity of risk. When evaluating the quantity of the bank's SCRA risk, examiners should consider risk factors that could affect the level of SCRA risk. When evaluating the quality of risk management, examiners should determine how well the bank identifies, measures, monitors, and controls SCRA risk. Appendix C of this booklet lists risk indicators to consider when determining the quality of a bank's SCRA risk management.

An effective compliance management system (CMS) includes processes and practices designed to manage consumer compliance risk, support compliance with consumer protection-related laws and regulations, and prevent consumer harm. The primary components that examiners consider when evaluating a bank's CMS include board and management oversight and a compliance program.

When assessing the quality of risk management, examiners may consider

- whether relevant policies and procedures provide appropriate and effective guidance for compliance with the SCRA.
- whether processes are effective for implementing policies.
- whether procedures are adequately communicated to appropriate staff and applicable third parties.
- whether bank and third-party personnel who perform activities involving SCRA compliance are qualified and competent, receive training, have clearly defined responsibilities, and are held accountable for their actions.
- whether bank or third-party personnel respond to regulatory, accounting, industry, and technological changes that could affect the SCRA compliance program.
- whether the bank's complaint resolution process considers complaints received from servicemembers or their spouses or dependents.
- whether deficiencies in the SCRA compliance program or violations of the SCRA are resolved satisfactorily and in a timely manner.
- the appropriateness of risk management systems for the complexity of operations. For example, the examiner might evaluate the effectiveness of the bank's risk management within the first, second, and third lines of defense.³⁰

Control systems, such as internal and external audits, quality control, and quality assurance, are key components of a bank's consumer compliance program. Examiners should assess the extent to which control systems provide accurate and timely assessments of compliance with the SCRA. Effective monitoring and control systems include robust audit and compliance monitoring programs that conduct transaction testing covering relevant products and account documentation. For example, monitoring and audit scopes may cover

- credit products and services.
- the bank's processes to identify customers who are eligible for SCRA protections.

³⁰ Refer to the "Corporate and Risk Governance" booklet of the *Comptroller's Handbook* for more information about the three lines of defense.

- communications with servicemembers, including
 - requests for SCRA protection.
 - change of duty station orders.
 - termination of active service.
 - communications from a spouse or dependent(s), commanding officer, attorney, holder of power of attorney, or court officials.
- interest rate calculations or reductions.
- credit and lease descriptions.
- court orders.
- notices of delinquency, foreclosure, or lease termination.

Examination Procedures

This booklet contains objectives and expanded procedures for examining banks for compliance with the SCRA. Examiners decide which of these objectives and procedures are relevant to the scope of the examination during examination planning or after drawing preliminary conclusions during the compliance core assessment in the “Community Bank Supervision,” “Federal Branches and Agencies Supervision,” and “Large Bank Supervision,” booklets of the *Comptroller’s Handbook*.

Scope

These procedures are designed to help examiners tailor the SCRA examination to each bank and determine the scope of the examination. This determination should consider work performed by internal and external auditors and other independent risk control functions, other examiners on related areas, and other regulatory agencies, if applicable, e.g., the Consumer Financial Protection Bureau. Examiners need to perform only those objectives and steps that are relevant to the scope of the examination as determined by the following objectives.

The depth of the SCRA review, including whether transaction testing is conducted, should be based on the bank’s risk. Refer to appendix C of this booklet for risk indicators to consider when determining the quantity of a bank’s SCRA risk and the quality of the bank’s SCRA risk management. (Updated in version 1.1)

Objective: To determine the applicability of the SCRA, determine the scope of the SCRA examination, and identify examination objectives and activities necessary to meet the supervisory strategy for the bank.

1. Determine whether the bank makes, extends, or purchases loans or leases for personal, business, or agricultural purposes, or makes or purchases student loans, within the meaning of the SCRA. Refer to appendix B for guidance in determining SCRA applicability to a particular extension of credit to a covered borrower.
 - If no, the statute does not apply and no further review is necessary.
 - If yes, proceed with determining the scope of the SCRA examination.
2. Review the following sources of information and note any previously identified problems related to the SCRA that require follow-up:
 - Supervisory strategy.
 - Examination scope memorandum.
 - The OCC’s supervisory information systems.
 - Previous reports of examination, supervisory letters, and work papers.
 - Consumer compliance-related supervisory information obtained from other regulatory agencies.

- Audit reports and work papers.
 - Bank management's responses to previous reports of examination and audit reports.
 - Customer complaints data, including data from the OCC, the Consumer Financial Protection Bureau (as applicable), and the bank. Coordinate with the examiner responsible for consumer compliance (e.g., examiner responsible for the compliance risk assessment system and core assessment or compliance team lead) to avoid duplicating complaint data review. When possible, examiners should review and leverage complaint analysis already performed during the supervisory cycle to avoid duplication of effort.
 - Information regarding pending or threatened litigation.
 - Whistleblower referrals received by the OCC or internally within the bank. Coordinate with the examiner-in-charge (EIC), as the EIC may already have this information.
 - Organizational charts and process flow charts.
3. Obtain and review policies, procedures, and reports that bank management uses to supervise compliance with the SCRA, including internal risk assessments.
 4. In discussions with bank management, determine whether there have been any significant changes (for example, in policies, processes, personnel, control systems, third-party relationships, products, services, delivery channels, volumes, markets, and geographies) since the prior SCRA examination, or the bank's most recent SCRA-related audit(s), as applicable.
 5. Based on an analysis of information obtained in the previous steps, as well as input from the EIC, determine the scope and objectives of the SCRA examination.
 6. Select from the following examination procedures the necessary steps to meet examination objectives and the supervisory strategy.

Quantity of Risk

Conclusion: The quantity of each associated risk is (low, moderate, or high).

Objective: To determine the quantity of compliance risk associated with the SCRA.

1. Assess the bank's level of exposure to the SCRA.
 - Consider the number of loans, leases, and accounts in the bank's portfolio that could be subject to SCRA protections, such as
 - residential mortgages.
 - student loans.
 - automobile loans and leases.
 - personal loans and lines of credit.
 - credit card accounts.
 - business and commercial loans.
 - other real estate owned for which the bank is the landlord.
 - safe deposit boxes.
 - Consider the number of SCRA protection requests the bank receives as well as the volume of mortgage loan foreclosures and automobile repossessions at the bank.
2. Identify the patterns, volumes, and trends of SCRA-related violations, program weaknesses, litigation, and customer complaints.
 - Consider whether the bank has any existing SCRA violations or concerns (including those self-identified by the bank), as well as the bank's recent SCRA compliance history (including recent or current SCRA-related litigation or remediation requirements).
 - Consider the results of any transaction testing conducted during this supervisory activity. Refer to the "Quality of Risk Management" section of the examination procedures for transaction testing procedures.
 - Consider the bank's volume of SCRA-related customer complaints and any whistleblower referrals.
3. Assess the adequacy of communication channels (e.g., branch, call center, mail, website, mobile banking, or third-party) available to bank customers for making requests for SCRA protections or requesting information. Consider whether communication channels are easily identifiable.

Objective: To determine the quantity of operational risk associated with the SCRA.

1. Assess the bank's level of exposure to operational risk. Consider the effects of operations-processing activities on SCRA protections, such as safe harbor for servicemember identification, timely interest rate adjustments, and identifying and managing product-specific requirements.
 - Consider whether the bank has a centralized or decentralized area for determining eligibility for SCRA protections.
 - Determine the volume and frequency of accounts and customers reviewed against the DMDC lists.
 - Consider the nature and extent of the bank's reliance on third parties for SCRA compliance (e.g., third-party mortgage, automobile, or student loan servicer).
 - Consider the amount and scalability of outsourcing for operational functions to third parties (e.g., property management, account management, communications, credit review and reporting, payment processing, collections, data input, and legal assistance).
2. Consider whether the volume of staff turnover could affect the level of knowledge about operating systems and processes that may contribute to SCRA compliance risk (e.g., monitoring systems relied upon for calculating rate and payment reductions, tracking SCRA protection effective dates, and bifurcating charges).
3. Assess the adequacy of compliance training frequency for SCRA-responsible employees and possible effect on operational risks associated with the SCRA compliance program.

Objective: To determine the quantity of strategic risk associated with the SCRA. (Updated in version 1.1)

1. Consider the effect on strategic planning if the bank has a substantial number of customers who are eligible for SCRA protections. For example, the more servicemembers who already have mortgages or leases and are on active duty, the more likely that they may be eligible for SCRA-provided interest rate reductions and other protections. Similarly, the more National Guard members and Reservists who are placed on active duty or service, the more likely they are to become eligible for SCRA protections.
2. Consider the volume and effect of legislative, regulatory, accounting, operational, and technological changes on strategic planning for managing compliance with the SCRA.

Quality of Risk Management

Conclusion: The quality of risk management is
(strong, satisfactory, insufficient, or weak).

The conclusion on risk management considers all risks associated with a bank's SCRA activities.

Policies

Policies are statements of actions adopted by a bank to pursue certain objectives. Policies guide decisions, often set standards (on risk limits, for example), and should be consistent with the bank's underlying mission, risk appetite, and core values. Policies should be reviewed periodically for effectiveness and approved by the board of directors or designated board committee.

Objective: To determine whether the bank has effective policies in place for compliance with the SCRA.

1. Evaluate the bank's policies related to compliance with the SCRA. Consider whether policies describe
 - methods for performing procedures to comply with SCRA requirements within the relevant time frames.
 - methods for processing requests for SCRA protections.
 - procedures for confirming eligibility for SCRA protections, such as using the DMDC database.
 - methods for reducing interest to 6 percent (including service charges, renewal charges, fees, or any other charges except bona fide insurance, with respect to an obligation or liability).
 - methods for forgiving interest in excess of 6 percent.
 - methods for reducing periodic payments by the amount of the interest forgiven.
 - methods for applying the interest rate reduction retroactively to the active-duty date.
 - methods for ensuring that the bank does not evict a servicemember or the servicemember's dependents, particularly in connection with real estate obtained through foreclosure proceedings that is occupied by a servicemember tenant.
 - methods for obtaining a court order or written agreement from the servicemember before foreclosing, selling, or seizing a servicemember's real or personal property that secures an obligation.
 - methods for properly creating and maintaining records of covered-borrower checks and actions taken to comply with the SCRA.
 - methods for ensuring that the bank complies with court orders or other relevant court notifications pertaining to the SCRA.

- procedures for accepting, recording, and monitoring compliance with the SCRA when a servicemember assigns a life insurance policy as collateral for a loan.
2. Determine whether the board, or a designated board committee, reviews and approves SCRA-related policies annually, or more frequently when changes warrant.

Processes

Processes are the procedures, programs, and practices that impose order on a bank's pursuit of its objectives. Processes define how activities are carried out and help manage risk. Effective processes are consistent with the underlying policies and are governed by appropriate checks and balances (such as internal controls).

Objective: To determine whether the bank has processes in place to define how SCRA compliance activities are carried out.

1. Evaluate whether processes are effective, consistent with underlying policies, and effectively communicated to appropriate staff.

Through discussions with management and review of available information, assess the adequacy of internal controls over SCRA compliance. Consider

- organizational charts.
 - process flowcharts.
 - policies and procedures.
 - account documentation.
 - checklists.
 - computer program documentation, including any computer program testing and validation.
2. Determine whether appropriate internal controls are in place and functioning as designed.
 3. If the bank has third-party relationships that involve critical activities related to the SCRA (e.g., covered-borrower verification, servicing, collections, legal services), assess the adequacy of the bank's third-party risk management. Refer to OCC Bulletins 2017-7, "Third-Party Relationships: Supplemental Examination Procedures," and 2023-17, "Third-Party Relationships: Interagency Guidance on Risk Management." (Updated in version 1.1)
 4. Assess the accuracy, timeliness, and completeness of management and board reports regarding SCRA compliance.

Objective: To assess the bank’s compliance with the SCRA. (Updated in version 1.1)

Examiners should use conclusions regarding the bank’s policies and processes for servicemember requests for protections under the SCRA, along with conclusions regarding the bank’s internal audit scope and findings, and compliance monitoring and surveillance reviews, to determine whether transaction testing is appropriate. If transaction testing is appropriate, examiners should select a sample of approved and denied SCRA requests for review using a methodology described in the “Sampling Methodologies” booklet of the *Comptroller’s Handbook*.

1. Assess the adequacy of the procedures for processing servicemember requests for protection under the SCRA and evaluate compliance with SCRA requirements for the following areas:
 - Where and how servicemember requests or any other appropriate indicators of military service, including a certified letter from a commanding officer, are directed within the bank.³¹
 - Whether a review/investigation process is conducted to determine SCRA eligibility.
 - Whether the bank’s procedures are eligible for the SCRA safe harbor for independent verification through the bank’s normal business reviews of the DMDC.
 - Whether the SCRA decision is communicated to the borrower.
 - Whether adjustments are made (as required for SCRA-eligible loans) to interest, which includes service charges, renewal charges, fees, or any other charges (except bona fide insurance) with respect to an obligation or liability (50 USC 3937(d)(1)).
2. Determine whether the bank reduced in a timely manner the interest rate on obligations of a servicemember, or of a servicemember jointly with the servicemember’s spouse, incurred before military service to no more than 6 percent per year during the period of military service upon receipt of written notice and a copy of the servicemember’s military orders or any other appropriate indicator of military service, including a certified letter from a commanding officer. In lieu of written notice and documentation, a bank may use information retrieved from the DMDC through the bank’s normal business reviews (50 USC 3937).

Note: In the case of a mortgage, the 6 percent interest rate cap extends to one year following the end of military service. Interest under the SCRA includes all service, renewal, or other charges and fees except bona fide insurance charges.

3. Determine whether, upon receipt of the written notice from the servicemember and a copy of the military orders or any other appropriate indicator of military service, the bank accurately and in a timely manner applied the interest rate reduction retroactively to the date on which the servicemember was called to military service (50 USC 3937(b)(2)). If the bank reduced the interest rate on a servicemember’s obligation that bears interest in

³¹ The 2019 National Defense Authorization Act expanded the methods of notice for servicemembers to receive the 6 percent interest rate reduction. See appendix A for further explanation.

excess of 6 percent, determine whether the bank appropriately forgave interest in excess of 6 percent and reduced periodic payments by the amount of interest forgiven.

4. If a breach of the obligation by a servicemember occurs during the period of military service or within one year thereafter,
 - determine whether the bank obtained a written waiver from the servicemember or a court order before foreclosing, selling, repossessing, or seizing real or personal property owned by the servicemember that secures a financial obligation that originated before the period of the servicemember's military service (50 USC 3918, 3952, and 3953).
 - if the financial obligation is a mortgage insured by HUD, determine whether the bank sent the HUD Office of Housing an SCRA notice disclosure within 45 days from the date a missed payment was due, unless the homeowner paid the overdue amount before the expiration of the 45-day period (12 USC 1701x(c)(5)).
5. Determine whether the bank rescinded or terminated a servicemember's contract for the purchase of real or personal property, or the lease or bailment of such property, for which a deposit or installment has been paid by the servicemember before entering military service. If so, determine whether the bank obtained a court order or written waiver from the servicemember as required and before rescinding or terminating the contract, lease, or bailment (50 USC 3952 and 3918).
6. Determine whether the bank terminated any covered leases (lease of premises or motor vehicles) for a servicemember. If so, determine whether the lease was terminated in compliance with the SCRA, after written notice from the lessee (50 USC 3955).
7. If the bank obtained real estate through foreclosure proceedings, assess whether the bank determined whether real estate was occupied by a servicemember tenant and applied SCRA eviction protections accordingly before the eviction (50 USC 3951).
8. If the bank received a court order or notification pertaining to a servicemember, determine whether the bank complied with the court order or notification and SCRA requirements (50 USC 3918, 3937, 3951, 3952, 3953, 3955, 3957).
9. Determine whether the bank uses the safe harbor protections offered by the SCRA (50 USC 3937(b)).

Personnel

Personnel are the bank staff and managers who execute or oversee processes. Personnel should be qualified and competent, have clearly defined responsibilities, and be held accountable for their actions. They should understand the bank's mission, risk appetite, core values, policies, and processes. Banks should design compensation programs to attract and retain personnel, align with strategy, and appropriately balance risk-taking and reward.

Objective: To determine management’s ability to supervise the SCRA compliance in a safe and sound manner.

1. Assess the management structure and staffing in relation to the bank’s SCRA-related risks. Consider the following:
 - Expertise, training, and number of staff members.
 - Whether reporting lines encourage open communication and limit the chances of conflicts of interest.
 - Level of staff turnover.
 - Use of third parties.
 - Capability to address identified deficiencies.
 - Responsiveness to operational, regulatory, accounting, industry, and technological changes.
2. Assess performance management and compensation programs. Consider whether these programs measure and reward performance that aligns with the bank’s strategic objectives and risk appetite.

If the bank offers incentive compensation programs, determine whether they (1) provide employees with incentives that appropriately balance risk and reward; (2) are compatible with effective controls and risk management; and (3) are supported by strong corporate governance, including active and effective oversight by the bank’s board of directors. Refer to OCC Bulletin 2010-24, “Interagency Guidance on Sound Incentive Compensation Policies.”

3. Determine the extent and adequacy of training received by individuals whose responsibilities include compliance with the SCRA. This includes the following:
 - Reviewing any training materials pertaining to the SCRA.
 - Determining whether the training is appropriate and covers the various aspects of the provisions that apply to the bank’s offerings and operations.
 - Determining whether training requirements are tracked and reported and delinquencies are monitored and escalated.

Control Systems

Control systems are the functions (such as internal and external audits and quality assurance) and information systems that bank managers use to measure performance, make decisions about risk, and assess the effectiveness of processes and personnel. Control functions should have clear reporting lines, sufficient resources, and appropriate access and authority. Management information systems should provide timely, accurate, and relevant feedback.

Objective: To determine whether the bank has systems in place to provide accurate and timely assessments of its SCRA compliance.

1. Evaluate the effectiveness of compliance monitoring and testing systems relative to the SCRA. Consider whether
 - the scope of reviews addresses all applicable provisions of the SCRA.
 - based on risk, transaction testing is appropriate and includes samples covering all relevant product types, decision centers, and outcomes.
 - there is adequate transaction testing of reviews of account documentation.
 - the accuracy of monitoring and testing work.
 - significant deficiencies and their causes are included in reports to management or the board.
 - management has taken corrective actions to correct deficiencies.
 - reviews identify the root causes of deficiencies.

2. Obtain and review audit reports and work papers pertaining to the SCRA. Assess the adequacy of the audit, including scope and frequency. Determine whether
 - the scope of audits addresses all applicable provisions of the SCRA.
 - based on risk, transaction testing includes samples covering all relevant product types, decision centers, and outcomes.
 - the work performed is accurate.
 - significant deficiencies and their causes are included in reports to management or to the board of directors.
 - management has taken timely corrective actions to address previously identified deficiencies.
 - corrective action delays are appropriate and sufficiently monitored.
 - the frequency of review or audit is appropriate (including review or audit of implemented corrective actions related to previously identified deficiencies).

Conclusions

Conclusion: The aggregate level of compliance risk is
(low, moderate, or high).
The direction of compliance risk is
(increasing, stable, or decreasing).

Objective: To determine, document, and communicate overall findings and conclusions regarding the examination of compliance with the SCRA.

1. Determine preliminary examination findings and conclusions and discuss with the EIC, including
 - quantity of compliance risk.
 - quality of risk management.
 - aggregate level and direction of compliance risk.
 - potential effect on other associated risks (e.g., operational, strategic) (Updated in version 1.1)
 - violations and other deficiencies.
2. Discuss examination findings with bank management, including concerns, violations, recommendations, and conclusions about risks and risk management practices. If necessary, obtain commitments for corrective action.
3. Compose conclusion comments, highlighting any issues that should be included in the report of examination. If necessary, compose a matters requiring attention (MRA) and violation write-ups.
4. Provide final examination findings and conclusions to the EIC or compliance team lead.
5. Update the OCC's information system and any applicable report of examination schedules or tables.
6. Document recommendations for the supervisory strategy (e.g., what the OCC should do in the future to effectively supervise the bank's SCRA compliance, including time periods, staffing, and workdays required).
7. Update, organize, and reference work papers in accordance with OCC policy.
8. Appropriately dispose of or secure paper or electronic media that contain sensitive bank or customer information.

Appendixes

Appendix A: Summary of SCRA Amendments

The SCRA has a longstanding history in U.S. law. During World War I, Congress passed the Soldiers' and Sailors' Civil Relief Act of 1918. During World War II, Congress essentially reenacted the expired 1918 statute as the Soldiers' and Sailors' Civil Relief Act of 1940 (SSCRA), and then amended it substantially in 1942 to consider the new economic and legal landscape that had developed between the wars. In 2003 Congress enacted the SCRA as a modernization and restatement of the SSCRA and its protections.

Since 2003 Congress has enacted amendments on several occasions to extend or clarify the SCRA's protections for servicemembers. Table 1 summarizes legislative amendments to the SCRA since 2003. In 2015 the Office of Law Revision Counsel eliminated the appendix to Title 50 of the USC and recodified those provisions of the appendix to new chapters within Title 50.

Table 1 includes the current (i.e., recodified) USC citations and a note with the former citations before recodification.

Table 1: Summary of SCRA Amendments

Title	Effective date	Section of act	Description of alterations and amendments	USC citation
Veterans Benefits Improvement Act of 2004 (Pub L. 108-454)	January 10, 2004	Section 701	Added a definition for "judgment" to the SCRA's definitions section.	50 USC 3911 (formerly 50 USC App. 511)
Veterans Benefits Improvement Act of 2004 (Pub L. 108-454)	January 10, 2004	Section 702	Added language to the SCRA allowing for waiver of SCRA protections "only if it is in writing and is executed as an instrument separate from the obligation or liability to which it applies" and requiring prominent display of waiver to be in 12-point type.	50 USC 3918 (formerly 50 USC App. 517)
Veterans Benefits Improvement Act of 2004 (Pub L. 108-454)	January 10, 2004	Section 703	Amended the stay of proceedings provision of the SCRA to insert the term "plaintiff or" before "defendant."	50 USC 3932 (formerly 50 USC App. 522)
Veterans Benefits Improvement Act of 2004 (Pub L. 108-454)	January 10, 2004	Section 704	Amended portions of the SCRA's provisions for termination of residential or motor vehicle leases. Added termination by lessee provisions, added language regarding PCS orders, defined "military orders" and continental United States, and added individuals in support of military operation to covered persons.	50 USC 3955 (formerly 50 USC App. 535)
Veterans Benefits Improvement Act of 2006 (Pub. L. 109-233)	June 15, 2006	Section 302	Added language limiting premium increases for health insurance for servicemembers in military service.	50 USC 4024(e) (formerly 50 USC App. 594(e))

Title	Effective date	Section of act	Description of alterations and amendments	USC citation
National Defense Authorization Act for Fiscal Year 2006 (Pub. L. 109-163)	January 6, 2006	Section 688	Amended 12 USC 1701x to require HUD, in consultation with the Secretaries of Defense and Treasury, to develop a written notice to servicemember mortgage borrowers advising of their rights under the SCRA.	12 USC 1701x(c)(5)(A)(ii)
National Defense Authorization Act for Fiscal Year 2008 (Pub. L. 110-181)	January 28, 2008	Section 584	Added “including any child custody proceeding” to the default judgments section.	50 USC 3931 (formerly 50 USC App. 521(a))
National Defense Authorization Act for Fiscal Year 2008 (Pub. L. 110-181)	January 28, 2008	Section 584	Added “including any child custody proceeding” to the stay of proceedings section.	50 USC 3932 (formerly 50 USC App. 533(b))
Housing and Economic Recovery Act of 2008 (Pub. L. 110-289)	July 30, 2008	Section 2203(a)	Extended the mortgage and trust deed protection provisions to apply during or within nine months after military service. ³²	50 USC 3953 (formerly 50 USC App. 533(b))
Housing and Economic Recovery Act of 2008 (Pub. L. 110-289)	July 30, 2008	Section 2203(b)	Amended the interest rate limitation periods to provide reductions of interest in excess of 6 percent (1) during military service and for one year thereafter, in the case of a mortgage, trust deed, or other security in the nature of a mortgage, or (2) during military service for any other liability. This amendment also added a definition section within the interest rate limitation that defined (1) “interest” to include “service charges, renewal charges, fees, or any other charges (except bona fide insurance) with respect to an obligation or liability,” and (2) “obligation or liability” to include “an obligation or liability consisting of a mortgage, trust deed or other security in the nature of a mortgage.”	50 USC 3937 (formerly 50 USC App. 527)
Housing and Economic Recovery Act of 2008 (Pub. L. 110-289)	July 30, 2008	Section 2203(c)	Provided that the extension of protections for mortgages and trust deeds, from 90 days to nine months, would expire on December 31, 2010, and that on January 1, 2011, the original provisions would revert. ³³	50 USC 3953 (50 USC App. 533 note)
Veterans’ Benefits Improvement Act	October 10, 2008	Section 805	Added provisions allowing for the termination or suspension of cell phone contracts.	50 USC 3956 (formerly 50 USC App. 535a)

³² Refer to the Honoring America’s Veterans and Caring for Camp Lejeune Families Act of 2012 for revisions to this amendment.

³³ Refer to the Helping Heroes Keep Their Homes Act of 2010 for extension of this provision.

Title	Effective date	Section of act	Description of alterations and amendments	USC citation
of 2008 (Pub L. 110-389)				
Veterans' Benefits Improvement Act of 2008 (Pub L. 110-389)	October 10, 2008	Section 807	Amended the interest rate limitations provisions to include criminal penalties, including fines or jail time for not more than one year, for lenders that knowingly violate the interest rate reduction. The amendment also preserved civil remedies available to other persons enforcing the interest rate reduction provisions. ³⁴	50 USC 3937 (formerly 50 USC App. 527(f))
Higher Education Opportunity Act (Pub L. 110-315)	August 14, 2008	Section 422(g)(1)	Amended 20 USC 1078(d) to make the SCRA protections, including the maximum rate of interest provisions, applicable to federally guaranteed student loans.	20 USC 1078(d)
Military Spouses Residency Relief Act (Pub L. 111-97)	November 11, 2009	Section 2	Amended the SCRA to provide that a spouse does not lose his or her domicile for voting purposes if he or she is away from home for an extended period of time to accompany the servicemember in another jurisdiction in compliance with military orders.	50 USC 4025 (formerly 50 USC App. 595)
Military Spouses Residency Relief Act (Pub L. 111-97)	November 11, 2009	Section 3	Amended the SCRA to provide that the "spouse of a servicemember shall neither lose nor acquire a residence or domicile for purposes of taxation with respect to the person, personal property, or income of the spouse" if the spouse is away from home for an extended period of time to accompany the servicemember in another jurisdiction in compliance with military orders. The revisions also provide that a servicemember spouse may not be subject to taxation for "services performed or from sources within a tax jurisdiction of the United States if the spouse is not a resident or domiciliary of the jurisdiction in which the income is earned because the spouse is in the jurisdiction solely to be with the servicemember serving in compliance with military orders."	50 USC 4001 (formerly 50 USC App. 571)
Military Spouses Residency Relief Act (Pub L. 111-97)	November 11, 2009	Section 4	Amended provisions of the SCRA extending land rights protections to all servicemembers above the age of 18 to include their spouses.	50 USC 3998 (formerly 50 USC App. 568)
Helping Heroes Keep Their Homes Act of 2010 (Pub L. 111-346)	January 29, 2010	Section 2	Extended the protections for mortgages from 90 days to nine months with a sunset provision of December 31, 2012,	50 USC 3953 (formerly 50 USC App. 533 note)

³⁴ Refer to the Veterans' Benefits Act of 2010 for further amendments.

Title	Effective date	Section of act	Description of alterations and amendments	USC citation
			and a reversion to the original 90 days set to occur on January 1, 2013. ³⁵	
Veterans' Benefits Act of 2010 (Pub L. 111-275)	October 13, 2010	Section 301	Amended the SCRA's premises and motor vehicle lease termination provisions to require that any unpaid amounts preceding the effective date of the lease termination shall be paid on a prorated basis. The amendment also provided that a "lessor may not impose an early termination charge, but any taxes, summonses, or other obligations and liabilities of the lessee in accordance with the terms of the lease, including reasonable charges to the lessee for excess wear, that are due and unpaid at the time of termination of the lease shall be paid by the lessee."	50 USC 3955(e) (formerly 50 USC App. 535(e))
Veterans' Benefits Act of 2010 (Pub L. 111-275)	October 13, 2010	Section 302	<p>Amended provisions covering the termination of telephone contracts. The amendments included the right to terminate contracts, notice requirements for servicemembers regarding cancellation, and the manner of termination. The amendment also extended a series of protections to servicemembers and their families, including</p> <ul style="list-style-type: none"> • the right to retain their phone number within certain time frames. • the right to cancel an entire family plan if the beneficiaries accompany the servicemember during the servicemember's period of relocation. • prorated unpaid costs up until the date of termination. • restrictions on the imposition of a reinstating fee if the servicemember resubscribes during a 90-day period that begins on the last day of relocation. • a return of advance payments. 	50 USC 3957 (formerly 50 USC App. 535a)
Veterans' Benefits Act of 2010 (Pub L. 111-275)	October 13, 2010	Section 303	Created new provisions providing that the U.S. Attorney General or private citizens may commence suit to enforce the SCRA. ³⁶	50 USC 4041-43 (formerly 50 USC App 527(f), 531, 532, 533, 597, 597a, 597b)
Honoring America's Veterans and	August 8, 2012	Section 710	Extended (1) protections against suits to enforce mortgage or trust deed obligations and liabilities from a	50 USC 3953 (formerly 50 USC

³⁵ Refer to the Foreclosure Relief and Extension for Servicemembers Act of 2014 for extension of this provision.

³⁶ This provision struck subsection 50 USC App. 527(f) and consolidated the Attorney General and citizen suit provisions into two specific portions of the statute.

Title	Effective date	Section of act	Description of alterations and amendments	USC citation
Caring for Camp Lejeune Families Act of 2012 (Pub. L. 112-154)			servicemember's term of service plus nine months to a servicemember's term plus one year, and (2) protections against foreclosures or seizures from a servicemember's term of service plus nine months to a servicemember's term plus one year. The act provided that the extended provisions would sunset on December 31, 2014. ³⁷	App. 533(b), 533 note)
Foreclosure Relief and Extension for Servicemembers Act of 2014 (Pub. L. 113-286)	December 18, 2014	Section 2	Extended the protections for mortgages from 90 days to nine months with a sunset provision of December 31, 2017, and a reversion to the original 90-day term set to occur on January 1, 2018. ³⁸	50 USC 3953 (formerly 50 USC App. 533 note)
Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015 (Pub. L. 113-291)	December 19, 2014	Section 566	Amended certain provisions of the SCRA regarding child custody protections.	50 USC 3938 (formerly 50 USC App. 528)
Foreclosure Relief and Extension for Servicemembers Act of 2015 (Pub. L. 114-142)	March 31, 2016	Section 2	Extended the protections for mortgages from 90 days to nine months with a sunset provision of December 31, 2017, and a reversion to the original 90 days set to occur on January 1, 2018. ³⁹	50 USC 3953 (formerly 50 USC App. 533 note)
National Defense Authorization Act for Fiscal Year 2018 (Pub. L. 115-91)	December 17, 2017	Section 557	Extended the protections for mortgages from 90 days to nine months with a sunset provision of December 31, 2019, and a reversion to the original 90 days set to occur on January 1, 2020. ⁴⁰	50 USC 5953 (formerly 50 USC App. 533 note)
Economic Growth, Regulatory Relief, and Consumer Protection Act (Pub. L. 115-174)	June 23, 2018	Section 313	Made permanent the one-year grace period during which a servicemember is protected from foreclosure on a mortgage, trust deed, or other security in the nature of a mortgage, after leaving military service.	50 USC 3953(c) (formerly 50 USC App. 533 note)
John S. McCain National Defense Authorization Act for Fiscal Year	August 13, 2018	Section 600	Amended the maximum rate of interest provisions to ease the method of notice required of servicemembers to receive an interest rate reduction. The amendments provided that "not later	50 USC 3937

³⁷ Refer to the Foreclosure Relief and Extension for Servicemembers Act of 2014 for extension of this provision.

³⁸ Refer to the Foreclosure Relief and Extension for Servicemembers Act of 2015 for extension of this provision.

³⁹ Refer to the National Defense Authorization Act for Fiscal Year 2018 for extension of this provision.

⁴⁰ Refer to the Economic Growth, Regulatory Relief, and Consumer Protection Act for permanent extension of the one-year grace period protections.

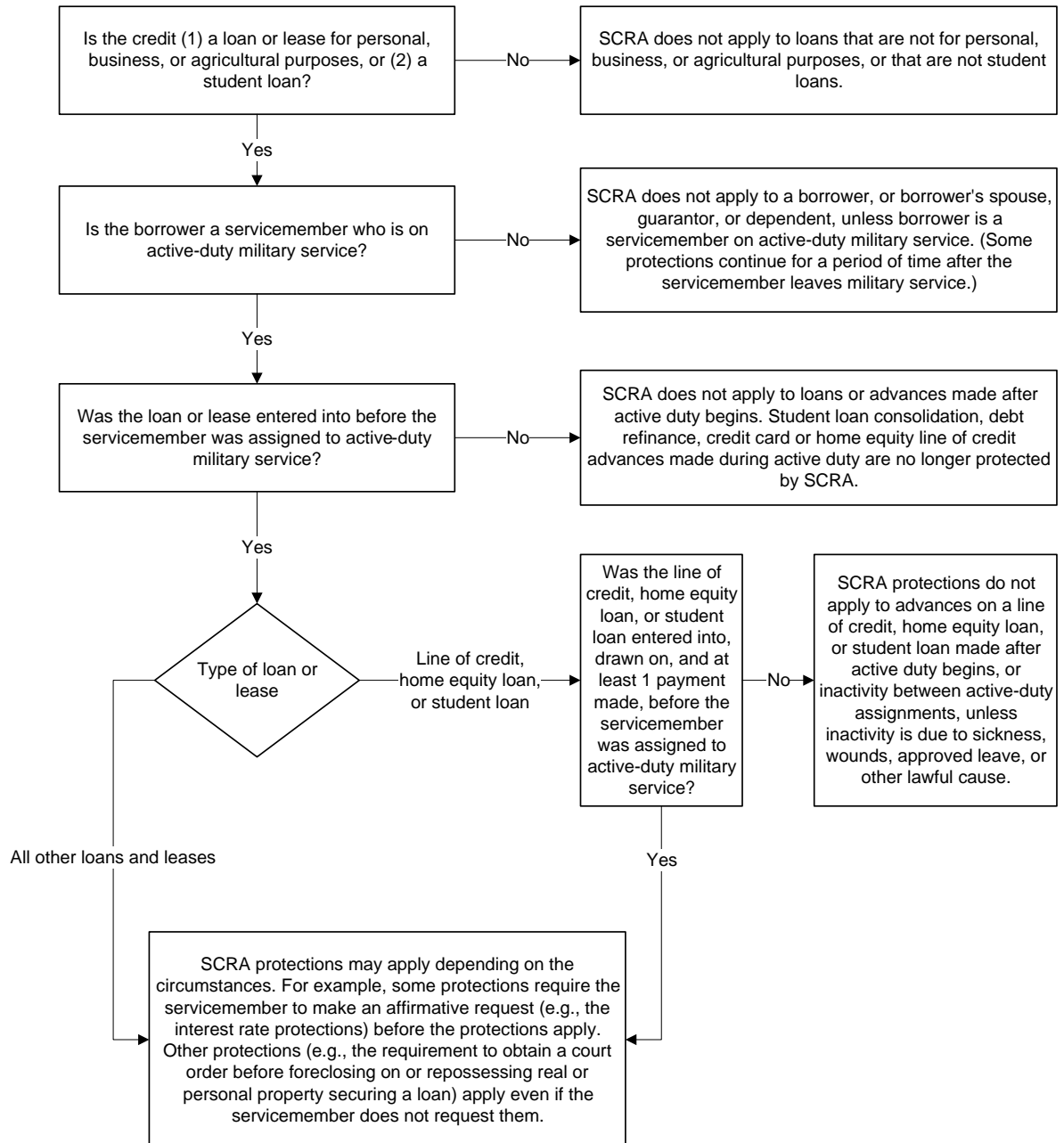
Title	Effective date	Section of act	Description of alterations and amendments	USC citation
2019 (Pub. L. 115-232)			than 180 days after the date of a servicemember's termination or release from military service" a servicemember can provide written notice and a copy of either (1) the servicemember's military orders, or (2) "any other appropriate indicator of military service, including a certified letter from a commanding officer" to trigger the interest rate reduction. The amendments also provided that lenders may independently verify a servicemember's military service status by accessing the DMDC, and, absent a timely notice from the borrower indicating otherwise, if the DMDC does not indicate that a borrower was in military service, the lender shall not be liable for an interest rate reduction.	
Veterans Benefits and Transition Act of 2018 (Pub L. 115-407)	December 31, 2018	Section 301	Amended the SCRA's termination of lease provisions to add a clause providing the spouse of a lessee servicemember the authority to terminate a lease in the event of a servicemember's death.	50 USC 3955(a)(3)
Veterans Benefits and Transition Act of 2018 (Pub L. 115-407)	December 31, 2018	Section 302	Amended provisions covering taxing jurisdictions to enable the spouse of a servicemember to "elect to use the same residence for purposes of taxation as the servicemember regardless of the date on which the marriage of the spouse and the servicemember occurred."	50 USC 4001
Veterans Benefits and Transition Act of 2018 (Pub L. 115-407)	December 31, 2018	Section 303	Amended provisions of the SCRA regarding the jurisdiction a spouse may choose to register to vote in when accompanying a servicemember spouse on military service.	50 USC 4025
Veterans Benefits and Transition Act of 2018 (Pub L. 115-407)	December 31, 2018	Section 304	Amended the termination of telephone services provisions of the SCRA to include multichannel video programming and internet access.	50 USC 3956
National Defense Authorization Act for Fiscal Year 2020 (Pub L. 116-92)	December 20, 2019	Section 545	Added the termination of leases of premises and motor vehicles of servicemembers who incur catastrophic injury or illness or die while in military service and added that the spouse of the lessee may terminate the lease during the one-year period beginning on the date the lessee incurs a catastrophic injury or illness during military service.	50 USC 3955(a)(4)
National Defense Authorization Act for Fiscal Year 2020 (Pub L. 116-92)	December 20, 2019	Section 546	Amended the definition of military orders required for termination of leases by inserting "including orders for separation or retirement" after "official military orders," and adding that "permanent change of station" includes separation or retirement from military service.	50 USC 3955(i)(1) and (3)

Title	Effective date	Section of act	Description of alterations and amendments	USC citation
National Defense Authorization Act for Fiscal Year 2020, United States Space Force Act (Pub. L. 116-92)	December 20, 2019	Section 952	Amended 10 USC 104(a)(4) to add the Space Force to the definition of armed forces. 10 USC 104(a)(9)(C) also placed the Space Force within the Air Force. However, the definition of servicemember in 50 USC 3911 does not specifically include the Space Force (although it does include the Air Force). Initially formed as Air Force Space Command on September 1, 1982, the Space Force was established as an independent military branch on December 20, 2019, with the signing of the U.S. Space Force Act, part of the National Defense Authorization Act for Fiscal Year 2020.	50 USC 3911

Appendix B: Applicability of SCRA

The flow chart in figure 1 can help determine the applicability of the SCRA to a particular transaction.

Figure 1: SCRA Applicability Flow Chart



Appendix C: SCRA Risk Assessment

This appendix lists risk indicators for the quantity of SCRA risk and the quality of risk management.

Quantity of SCRA Risk Indicators

Examiners can use the risk indicators in table 2 when assessing quantity of SCRA risk. Examiners should determine the quantity of risk (low, moderate, or high) for each of the risk indicators identified in the following table and then determine the overall quantity of SCRA risk.

Table 2: Quantity of SCRA Risk Indicators

Assessment factors	Low	Moderate	High
<p>Business activity: Examiners should consider the number of loans, leases, and accounts that could be subject to SCRA protections, such as</p> <ul style="list-style-type: none"> • residential mortgages. • student loans. • automobile loans and leases. • personal loans and lines of credit. • credit card accounts. • business and commercial loans. • safe deposit boxes. <p>Examiners should also consider the number of SCRA protection requests and the volume of mortgage loan foreclosures and automobile repossessions.</p>	<p>The volume of loans, leases, and accounts subject to the SCRA is low and stable.</p>	<p>The volume of loans, leases, and accounts subject to the SCRA is moderate or has increased slightly.</p>	<p>The volume of loans, leases, and accounts subject to the SCRA is high or has increased significantly.</p>
<p>Business activity: Examiners should consider the number of loans, leases, and accounts that could be subject to SCRA protections, such as</p> <ul style="list-style-type: none"> • residential mortgages. • student loans. • automobile loans and leases. 	<p>The volume of SCRA protection requests is minimal and stable, or the number of denied SCRA protection requests is low.</p>	<p>The volume of SCRA protection requests is moderate or has increased slightly, or the bank denies a modest number of SCRA protection requests.</p>	<p>The volume of SCRA protection requests is substantial or has increased significantly, or the bank denies a high number of SCRA protection requests.</p>

Assessment factors	Low	Moderate	High
<ul style="list-style-type: none"> • personal loans and lines of credit. • credit card accounts. • business and commercial loans. • safe deposit boxes. <p>Examiners should also consider the number of SCRA protection requests and the volume of mortgage loan foreclosures and automobile repossessions.</p>			
<p>Business activity: Examiners should consider the number of loans, leases, and accounts that could be subject to SCRA protections, such as</p> <ul style="list-style-type: none"> • residential mortgages. • student loans. • automobile loans and leases. • personal loans and lines of credit. • credit card accounts. • business and commercial loans. • safe deposit boxes. <p>Examiners should also consider the number of SCRA protection requests and the volume of mortgage loan foreclosures and automobile repossessions.</p>	The volume of foreclosures or repossessions is low and stable.	The volume of foreclosures or repossessions is moderate or has increased slightly.	The volume of foreclosures or repossessions is high or has increased significantly.
<p>Litigation and noncompliance: Examiners should consider whether the bank has any outstanding or recent substantive SCRA violations, litigation, or concerns, including those identified by the OCC and those identified by the bank (e.g., identified by the bank's audit or compliance testing functions).</p>	There are no outstanding or recent substantive violations, litigation, or concerns.	There are some outstanding or recent substantive violations, litigation, or concerns, or there has been a slight increase in volume. Management takes appropriate actions in response to violations, litigation, or concerns.	There are outstanding or recent substantive violations, litigation, or concerns that are significant in number or severity, or the volume has significantly increased. Management does not take adequate actions in response to violations, litigation, or concerns.

Assessment factors	Low	Moderate	High
Examiners should consider the bank's volume and trend of SCRA-related customer complaints and any whistleblower referrals. Consider complaints to or against the bank and its third parties.			
<p>Litigation and noncompliance: Examiners should consider whether the bank has any outstanding or recent substantive SCRA violations, litigation, or concerns, including those identified by the OCC and those identified by the bank (e.g., identified by the bank's audit or compliance testing functions).</p> <p>Examiners should consider the bank's volume and trend of SCRA-related customer complaints and any whistleblower referrals. Consider complaints to or against the bank and its third parties.</p>	Volume of complaints is minimal and stable.	Volume of complaints is moderate, or there has been a moderate increase in complaint volumes.	Volume of complaints is high, or there has been a significant increase in complaint volumes.

Quality of SCRA Risk Management Indicators

Examiners can use the risk indicators in table 3 when assessing quality of SCRA risk management. Examiners should determine the quality of risk management (strong, satisfactory, insufficient, or weak) for each of the indicators and determine the overall quality of SCRA risk management. Examiners should consider the effectiveness of the bank's SCRA compliance program in relation to the bank's size, complexity, and overall SCRA risk.

Table 3: Quality of SCRA Risk Management Indicators

Assessment factors	Strong	Satisfactory	Insufficient	Weak
<p>Policies: When evaluating the effectiveness of the bank's SCRA compliance program, examiners should assess the adequacy of the bank's SCRA policies and procedures, including the bank's third-party risk management policies.</p>	<p>SCRA policies and procedures are well-developed and comprehensively address compliance requirements, roles and responsibilities, and internal controls. Policies and procedures are accurate.</p>	<p>SCRA policies and procedures are adequately developed and address compliance requirements, roles and responsibilities, and internal controls. Policies and procedures are accurate.</p>	<p>SCRA policies and procedures insufficiently address compliance requirements, roles and responsibilities, or internal controls. Policies and procedures may contain inaccuracies.</p>	<p>Policies and procedures are seriously deficient, inaccurate, absent, or do not address material compliance requirements. Policies and procedures contain inaccuracies.</p>
<p>Processes: When evaluating the effectiveness of the bank's SCRA compliance program, examiners should assess the adequacy of the bank's</p> <ul style="list-style-type: none"> • communication channels and protections processing. • clarity and ease of use of established channels to servicemembers. • customer complaint resolution process. 	<p>Systems are appropriate for the bank's size, complexity, and risk profile and are tailored to the bank's SCRA processes. Systems are reliable for ensuring compliance, and management proactively updates systems when regulatory or operational changes occur.</p>	<p>Systems are appropriate for the bank's size, complexity, and risk profile. Some system-related errors in processing or servicing may occur but are effectively identified and remediated. Management updates systems in a timely manner when regulatory or operational changes occur.</p>	<p>Systems are insufficient for the bank's size, complexity, and risk profile. System weaknesses result in processing or servicing errors. Systems may lack the capabilities to enable consistent compliance (e.g., systems that involve more manual intervention than is appropriate for the bank's operations).</p>	<p>Systems are not commensurate with the bank's size, complexity, and risk profile. System weaknesses materially affect the bank's oversight and compliance.</p>
<p>Processes: When evaluating the effectiveness of the bank's SCRA compliance program, examiners should assess the adequacy of the bank's</p> <ul style="list-style-type: none"> • communication channels and protections processing. • clarity and ease of use of established channels to servicemembers. • customer complaint resolution process. 	<p>Management has established dedicated and easily identifiable channels across multiple platforms (e.g., email, internet, and postal mail) for servicemembers to request protections or information.</p>	<p>Management has established processes for servicemembers to request protections or information. Channels are effective and provide servicemembers with sufficient options to request protections or information.</p>	<p>Management has established dedicated channels for accepting protection requests and providing information, but channels are limited, ineffective, or not easily identified.</p>	<p>Management has not established dedicated channels for servicemembers to request protections and information.</p>

Assessment factors	Strong	Satisfactory	Insufficient	Weak
<p>Processes: When evaluating the effectiveness of the bank's SCRA compliance program, examiners should assess the adequacy of the bank's</p> <ul style="list-style-type: none"> • communication channels and protections processing. • clarity and ease of use of established channels to servicemembers. • customer complaint resolution process. 	<p>Processes to review, decide, and respond to SCRA protection requests, and questions are comprehensive and produce timely, accurate, and consistent results across lines of businesses and products.</p>	<p>Processes to review, decide, and respond to SCRA protection requests, and questions are satisfactory and produce timely and accurate results across lines of businesses and products. Minor inconsistencies may be evident.</p>	<p>Processes to review, decide, and respond to SCRA protection requests, and questions are insufficient. Processing may be delayed, inaccurate, or inconsistent across lines of businesses and products.</p>	<p>Processes to review, decide, and respond to SCRA protection requests, and questions are weak. Processing is delayed, inaccurate, or inconsistent across lines of businesses and products.</p>
<p>Processes: When evaluating the effectiveness of the bank's SCRA compliance program, examiners should assess the adequacy of the bank's</p> <ul style="list-style-type: none"> • communication channels and protections processing. • clarity and ease of use of established channels to servicemembers. • customer complaint resolution process. 	<p>Complaint investigations and responses are prompt and thorough. Management monitors complaints to identify root causes and the risks of potential consumer harm and program deficiencies.</p>	<p>Processes and procedures for monitoring and resolving SCRA complaints are satisfactory. Complaint investigations are adequate and timely.</p>	<p>Management insufficiently monitors or resolves consumer complaints.</p>	<p>Management exhibits a disregard for complaints or for preventing consumer harm. Complaint resolution processes are seriously deficient or absent.</p>
<p>Personnel: When evaluating the effectiveness of the bank's SCRA compliance program, examiners should assess the adequacy of the bank's</p> <ul style="list-style-type: none"> • SCRA compliance resources, including human resources, capital, and systems. • SCRA compliance training. 	<p>Experienced, knowledgeable staff are in key positions with low turnover.</p>	<p>Staff in key positions are adequately experienced. There may be some turnover, but turnover trends are stable. Vacancies are filled in a timely manner.</p>	<p>Staff in key positions are insufficiently knowledgeable or experienced. There is moderate turnover of key compliance personnel responsible for SCRA compliance. There may be a few vacancies, or vacancies are not filled in a timely manner.</p>	<p>Staff in key positions are inexperienced and lack the appropriate knowledge of SCRA requirements. There is high turnover of or multiple vacancies for key compliance personnel responsible for SCRA compliance.</p>

Assessment factors	Strong	Satisfactory	Insufficient	Weak
<p>Personnel: When evaluating the effectiveness of the bank's SCRA compliance program, examiners should assess the adequacy of the bank's</p> <ul style="list-style-type: none"> • SCRA compliance resources, including human resources, capital, and systems. • SCRA compliance training. 	Staff are empowered and held accountable for SCRA compliance.	Staff are sufficiently held accountable for SCRA compliance.	Staff are not consistently held accountable for SCRA compliance.	Staff are not held accountable for SCRA compliance.
<p>Personnel: When evaluating the effectiveness of the bank's SCRA compliance program, examiners should assess the adequacy of the bank's</p> <ul style="list-style-type: none"> • SCRA compliance resources, including human resources, capital, and systems. • SCRA compliance training. 	SCRA compliance training content is comprehensive. Training content is updated proactively to address regulatory or internal changes and is specifically tailored to the bank's processes, systems, and staff roles. Training is administered to staff on a timely basis, and staff complete training on time.	SCRA compliance training is adequate. Training content is updated in a timely manner to address regulatory or internal changes. Training is administered to staff on a timely basis, and staff complete training on time.	SCRA compliance training content is insufficient and may have minor inaccuracies. Training content is not always updated to address regulatory or internal changes and is not specifically tailored to staff roles. Training is not always administered to staff in a timely manner, or multiple staff have not completed training in a timely manner.	SCRA compliance training is seriously deficient or has numerous or significant inaccuracies. Training content is not updated to address regulatory or internal changes. Training content is not tailored to staff roles. Training is not administered to staff in a timely manner. Whether staff completes training is not monitored or escalated.
<p>Control systems: When evaluating the effectiveness of the bank's control systems, examiners should assess the adequacy of the bank's</p> <ul style="list-style-type: none"> • oversight of third parties. • SCRA risk identification and assessment processes. • self-identification and timely corrective action of SCRA issues. • SCRA compliance monitoring and 	Management comprehensively oversees the SCRA activities of third parties. Management promptly identifies and remediates issues.	Management identifies and remediates issues involving third parties in a timely manner.	Management does not consistently identify and remediate issues involving third parties in a timely manner.	Management does not identify issues involving third parties in a timely manner, and remediation is inappropriate in relation to the scope of issues.

Assessment factors	Strong	Satisfactory	Insufficient	Weak
testing, including exception monitoring and audit coverage.				
<p>Control systems: When evaluating the effectiveness of the bank's control systems, examiners should assess the adequacy of the bank's</p> <ul style="list-style-type: none"> oversight of third parties. SCRA risk identification and assessment processes. self-identification and timely corrective action of SCRA issues. SCRA compliance monitoring and testing, including exception monitoring and audit coverage. 	<p>Management demonstrates full comprehension and effectively identifies SCRA compliance risks. Management completes a comprehensive SCRA risk assessment that encompasses all SCRA risk exposures. Risk assessments are supported with detailed and documented quantitative and qualitative information.</p>	<p>Management adequately comprehends and identifies SCRA compliance risks. Management completes an appropriate SCRA risk assessment that accurately reflects the bank's risk exposure. Risk assessments are adequately supported by quantitative or qualitative information.</p>	<p>Management demonstrates a limited understanding of key aspects of SCRA compliance risk. SCRA risk assessments are not commensurate with the bank's size, complexity, and risk profile. Risk assessments may not be supported by quantitative or qualitative information.</p>	<p>Management demonstrates seriously deficient comprehension of and an inability to identify key aspects of SCRA compliance risks. Management does not perform an SCRA risk assessment, or completed assessments are deficient in identifying the bank's SCRA risk.</p>
<p>Control systems: When evaluating the effectiveness of the bank's control systems, examiners should assess the adequacy of the bank's</p> <ul style="list-style-type: none"> oversight of third parties. SCRA risk identification and assessment processes. self-identification and timely corrective action of SCRA issues. SCRA compliance monitoring and testing, including exception monitoring and audit coverage 	<p>Management proactively identifies issues and promptly corrects issues. Management comprehensively tracks remediation progress for findings from all lines of defense.</p>	<p>Management identifies issues and corrects issues in a timely manner. Management adequately tracks remediation of all major findings.</p>	<p>Management may not identify, track, or correct issues in a timely manner. Issues are not remediated with all implications considered. Remediations are unsustainable or are not completed on a timely basis to prevent further consumer harm.</p>	<p>Management fails to identify material issues, does not track issue remediation, or does not appropriately correct issues in a timely manner. Corrective actions are absent or fail to correct the issues. Management does not prioritize consumer remediations resulting from noncompliance.</p>

Assessment factors	Strong	Satisfactory	Insufficient	Weak
<p>Control systems: When evaluating the effectiveness of the bank's control systems, examiners should assess the adequacy of the bank's</p> <ul style="list-style-type: none"> • oversight of third parties. • SCRA risk identification and assessment processes. • self-identification and timely corrective action of SCRA issues. • SCRA compliance monitoring and testing, including exception monitoring and audit coverage 	<p>Compliance monitoring and audit are comprehensive and reliable for identifying SCRA issues. Testing frequency, scope, and transaction testing are comprehensive and incorporate all aspects of SCRA compliance.</p>	<p>Compliance monitoring and testing are satisfactory for identifying material SCRA issues. Testing frequency, scope, and transaction testing incorporate all major aspects of SCRA compliance.</p>	<p>Compliance monitoring and testing are inadequate for identifying and measuring material SCRA issues. There may be deficiencies in testing frequency, scope, and transaction testing.</p>	<p>Compliance monitoring and testing are seriously deficient or absent. Monitoring and testing fail to identify material issues or violations due to deficiencies in testing frequency, scope, and transaction testing.</p>

Overall SCRA Risk Assessment Conclusions

Based on conclusions made in the quantity of risk and quality of risk management sections, select the appropriate quantity of SCRA risk, quality of SCRA risk management, aggregate SCRA risk, and direction of SCRA risk. Refer to the "Bank Supervision Process" booklet of the *Comptroller's Handbook* for information on assessing quantity of risk, quality of risk management, aggregate risk, and direction of risk.

Rating	Quantity of SCRA risk	Quality of SCRA risk management	Aggregate SCRA risk	Direction of SCRA risk
Assessment	<input type="checkbox"/> Low <input type="checkbox"/> Moderate <input type="checkbox"/> High	<input type="checkbox"/> Strong <input type="checkbox"/> Satisfactory <input type="checkbox"/> Insufficient <input type="checkbox"/> Weak	<input type="checkbox"/> Low <input type="checkbox"/> Moderate <input type="checkbox"/> High	<input type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Decreasing

Appendix D: Comparison of SCRA and MLA Protections

Table 4 compares the treatment of certain protections under the SCRA and the MLA. This appendix is intended to be used as a quick reference and is not exhaustive to include all possible protections. Refer to the applicable statutes and regulations for all requirements.

Table 4: SCRA and MLA Protections

	SCRA 50 USC 3901 – 4043	MLA 10 USC 987 and 32 CFR 232
Protects	<p>Servicemembers and, in some cases, their dependents.</p> <p>A servicemember is a member of the uniformed services, as that term is defined in 10 USC 101(a)(5). Banks may check servicemember status at https://scra.dmdc.osd.mil/.^a</p> <p>A dependent, with respect to a servicemember, is (a) the servicemember's spouse; (b) the servicemember's child (as defined in 38 USC 101(4)); or (c) an individual for whom the servicemember provided more than one-half of the individual's support for 180 days immediately preceding an application for relief under the SCRA. Specific dependent protections are summarized in this SCRA table, as applicable. Under 50 USC 3959, a servicemember's dependent may apply to a court for other protections under subchapter III of the SCRA.</p>	<p>Covered members of the armed forces and their dependents (collectively, covered borrowers). Banks may check covered borrower status at https://mla.dmdc.osd.mil/.^a</p> <p>A covered member is a member of the armed forces serving on active duty pursuant to USC titles 10, 14, or 32, under a call or order that does not specify a period of 30 days or fewer; or active Guard and Reserve duty, as that term is defined in 10 USC 101(d)(6).</p> <p>A dependent, with respect to covered members, means a person described in 10 USC 1072(2), subparagraph (A), (D), (E), or (I).</p>

^a Banks are permitted to use their own method to assess whether a consumer is a covered borrower. Section 32 CFR 232.5(b), however, provides banks with an optional safe harbor from liability in conclusively determining whether credit is offered or extended to a covered borrower. Use of the DMDC website is one method included in the safe harbor.

	SCRA	MLA
Covers ^b	Loans; leases; contracts for the purchase of real or personal property, including motor vehicles; safety deposit boxes; and civil actions, including repossessions and foreclosures. Refer to the following sections for specific requirements.	<p>Consumer credit (32 CFR 232.3(f)): credit that is offered or extended to a covered borrower primarily for personal, family, or household purposes, and is either subject to a finance charge or payable by a written agreement in more than four installments.</p> <p>Consumer credit does not include residential mortgages, purchase money loans secured by a motor vehicle or personal property being purchased with loan proceeds, and credit transactions exempt from Regulation Z (other than a transaction exempt under 12 CFR 1026.29, involving state exemptions).</p>
Interest rate limitations	A bank must reduce and forgive the interest rates charged on a loan made to a servicemember or the servicemember and the servicemember's spouse jointly before entry into military service to no more than 6 percent per year, if requested by the servicemember in writing. The 6 percent maximum interest rate includes service charges, renewal charges, fees, or any other charges, except bona fide insurance fees, with respect to an obligation. Interest charged in excess of 6 percent must be forgiven (50 USC 3937). (Updated in version 1.1)	Limits rates charged for covered loans to a military annual percentage rate (MAPR) of no more than 36 percent in connection with closed-end credit or in any billing cycle for open-end credit (32 CFR 232.4(b)).
Foreclosure protections	While a servicemember is active in military service, or within one year ^c after the military service ends, a bank cannot foreclose on or seize real or personal property owned by the servicemember and secured by a mortgage (or other security in the nature of a mortgage) that originated before the servicemember's military service and for which the servicemember is still liable, without a court order or a valid waiver from the servicemember (50 USC 3953).	Not applicable

^b A servicemember may waive any of the rights and protections provided by the SCRA. In most instances, the waiver must be in writing and must be executed as an instrument separate from the obligation or liability to which it applies. Refer to 50 USC 3918, "Waiver of Rights Pursuant to Written Agreement," for specific waiver requirements.

^c On December 12, 2017, the National Defense Authorization Act for Fiscal Year 2018 extended the one-year period of mortgage protections for two years from January 1, 2018, through December 31, 2019. The one-year period reverted to 90 days on January 1, 2020. As of June 23, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act amended the SCRA by making permanent the one-year grace period during which a servicemember is protected from foreclosure on a mortgage, trust deed, or other security in the nature of a mortgage, after leaving military service (Pub. L. 115-174, section 313 amends 50 USC 3953(c), signed May 24, 2018, effective June 23, 2018).

	SCRA	MLA
Installment contract termination and property repossession protections	Installment contracts for the purchase, lease, or bailment of real or personal property, including motor vehicles and safe deposit boxes, for which the servicemember paid a deposit or made a payment before the servicemember entered military service, may not be rescinded or terminated during military service for a breach of the terms of the contract—regardless of whether the breach occurred before or during military service—without a court order or valid waiver. The bank is also prohibited from repossessing the property because of the breach without a court order or waiver (50 USC 3952).	Not applicable
Motor vehicle lease coverage	A servicemember may terminate a motor vehicle lease under certain circumstances. Motor vehicle lease protections are extended to leases obtained both before and, under certain conditions, after entering active military status. Termination of the lease by the servicemember also terminates any obligation of a dependent under the lease (50 USC 3955).	Not applicable
Residential lease coverage	Residential leases entered into before active duty may be terminated by the servicemember upon entering active duty. Residential leases entered into during active duty may be terminated by the servicemember if the servicemember receives military orders for active military service deployment for 90 days or more. Termination of the lease by the servicemember also terminates any obligation of a dependent under the lease (50 USC 3955). Additional eviction protections are available for servicemembers and their dependents (certain monthly rent restrictions and requirement for court order) (50 USC 3951).	Not applicable

	SCRA	MLA
Other protections	<p>The fact that a servicemember requests relief under the SCRA cannot be a basis for the bank to take the following actions (50 USC 3919):</p> <ul style="list-style-type: none"> • Deny or revoke credit to the servicemember. • Change the terms of existing credit or pending credit. • Provide an adverse report relating to the creditworthiness of the servicemember to a credit reporting agency. 	<p>Banks extending consumer credit under the MLA regulation (32 CFR 232.8(b), (c), (d), (e), (g) and (h)) may not</p> <ul style="list-style-type: none"> • require the borrower to waive legal recourse (including, but not limited to, any provisions of the SCRA). • require the borrower to submit to arbitration or impose other onerous legal notice provisions. • demand unreasonable notice as a condition for legal action. • use a check or other method to access a covered borrower's account, with some exceptions. • require as a condition for extending credit that the borrower establish an allotment to repay the obligation. • prohibit prepayment or charge a penalty for prepayment.
Disclosures	Not applicable	Requires specific written and oral notices related to MAPR and payment obligation, as well as Regulation Z-applicable disclosures (32 CFR 232.6).

Appendix E: SCRA Examples

This appendix includes examples of the applicability of SCRA requirements. The examples in this appendix are hypothetical and are designed to illustrate various aspects of the SCRA. Refer to the U.S. Department of Justice’s “[Servicemembers and Veterans Initiative](#)” for periodic updates, including examples such as these.

Example 1: Mortgage Loan (50 USC 3937)

John Doe takes out a mortgage and then enters military service. Captain John Doe is in military service continuously for 20 years. Captain Doe retires from military service, and on the 179th day of his retirement asks that the interest rate on his mortgage be lowered to 6 percent per year. Captain Doe provides his bank with a written notice and a copy of all of his military orders.

Question: Is Servicemember Doe entitled to the 6 percent interest rate cap?

Answer: The bank must forgive the entire 20 years of interest that was at a rate greater than 6 percent—inclusive of fees—and forgive the interest that was at a rate greater than 6 percent for the one-year period following military service. Refer to 50 USC 3937.

Example 2: Student Loan (50 USC 3937)

John Doe takes out five private student loans before entering military service. After entering military service, Servicemember Doe consolidates his five loans into one loan. Six months later, he hears about the SCRA’s 6 percent interest rate cap and requests that the interest rate on his loan be lowered to 6 percent per year.

Question: Is Servicemember Doe entitled to the 6 percent interest rate cap for the consolidated loan?

Answer: Only for the period of time between when he entered military service and when he consolidated his private student loans. Servicemember Doe’s existing student loan originated during a period of military service. Refer to 50 USC 3937(a)(1).

Example 3: Lease Termination (50 USC 3955)

Jane Servicemember receives permanent change orders to transfer from Iowa to Texas. Her next rent payment is due on October 1.

Question: What would be the effective date she can terminate the lease?

Answer: The effective date of the lease termination is October 31. See, generally, 50 USC 3955(d)(1).

Example 4: Credit Card (50 USC 3937)

A servicemember has a credit card with a \$1,000 charged debt before active duty. After going on active duty, he or she charges another \$2,000 in credit card charges.

Question: Is the servicemember entitled to the interest rate reduction for charges incurred after going on active-duty military service?

Answer: Only the \$1,000 (debt charged before active duty) of the total \$3,000 debt qualifies for the interest rate reduction to 6 percent. Refer to 50 USC 3937(a)(1)(B).

Abbreviations

CFR	Code of Federal Regulations
CMS	compliance management system
DMDC	Defense Manpower Data Center
EIC	examiner-in-charge
HUD	U.S. Department of Housing and Urban Development
MAPR	military annual percentage rate
MLA	Military Lending Act
OCC	Office of the Comptroller of the Currency
PCS	permanent change of station
RESPA	Real Estate Settlement Procedures Act
SCRA	Servicemembers Civil Relief Act
SSCRA	Soldiers' and Sailors' Civil Relief Act of 1940
USC	U.S. Code

References

Laws

- 10 USC 101 et seq., “Organization and General Military Powers”
- 10 USC 987, “Terms of Consumer Credit Extended to Members and Dependents: Limitations” (Military Lending Act)
- 10 USC 1072, “Definitions”
- 12 USC 1701x(c)(5), “Notification of Availability of Homeownership Counseling”
- 12 USC 2601 et seq., “Real Estate Settlement Procedures Act”
- 12 USC 5201 note, “Emergency Economic Stabilization—Purposes”
- 12 USC 5220 note, “Emergency Economic Stabilization—Troubled Assets Relief Program Assistance to Homeowners”
- 12 USC 5531, “Prohibiting Unfair, Deceptive, or Abusive Acts or Practices”
- 15 USC 45, “Unfair Methods of Competition Unlawful; Prevented by Commission” (Section 5(a) of Federal Trade Commission Act)
- 15 USC 1601 et seq., “Truth in Lending Act”
- 15 USC 1681 et seq., “Fair Credit Reporting Act”
- 15 USC 1691 et seq., “Equal Credit Opportunity Act”
- 15 USC 1692 et seq., “Fair Debt Collection Practices Act”
- 20 USC 1078(d), “Usury Laws Inapplicable”
- 32 USC 502(f), “Required Drills and Field Exercises”
- 38 USC 101(4), “Child”
- 42 USC 1437f note, “Low-income Housing Assistance”
- 42 USC 3601 et seq., “Fair Housing Act”
- 49 USC 30102(a)(7), “Motor Vehicle”
- 50 USC 3901 et seq., “Servicemembers Civil Relief Act”

Regulations

- 12 CFR 1024, “Real Estate Settlement Procedures Act (Regulation X)”
- 12 CFR 1026, “Truth in Lending (Regulation Z)”
- 32 CFR 232, “Limitations on Terms of Consumer Credit Extended to Service Members and Dependents”

Comptroller’s Handbook

Consumer Compliance

- “Compliance Management Systems”
- “Protecting Tenants at Foreclosure Act”
- “Real Estate Settlement Procedures Act”
- “Truth in Lending Act (Interagency)”

Examination Process

- “Bank Supervision Process”

“Community Bank Supervision”
“Federal Branches and Agencies Supervision”
“Large Bank Supervision”
“Sampling Methodologies”

Safety and Soundness

“Corporate and Risk Governance”

OCC Issuances

(Updated in version 1.1)

OCC Bulletin 2010-24, “Incentive Compensation: Interagency Guidance on Sound Incentive Compensation Policies”

OCC Bulletin 2017-7, “Third-Party Relationships: Supplemental Examination Procedures”

OCC Bulletin 2017-43, “New, Modified, or Expanded Bank Products and Services: Risk Management Principles”

OCC Bulletin 2021-51, “Truth in Lending Act: Revised Interagency Examination Procedures and Rescissions”

OCC Bulletin 2023-17, “Third-Party Relationships: Interagency Guidance on Risk Management”

Other

GEN-16-20, “Retroactive Adjustments for SCRA from August 14, 2008, Onward,” U.S. Department of Education

Table of Updates Since Publication

Refer to the “Foreword” booklet of the *Comptroller’s Handbook* for more information regarding the OCC’s process for updating and revising *Comptroller’s Handbook* booklets.

Version 1.0 of the “Servicemembers Civil Relief Act” booklet was published March 2021. Version 1.1 was published November 13, 2025.

The following table is populated with the reasons for updates and the affected page numbers.

Updates in Version 1.1 of the “Servicemembers Civil Relief Act” Booklet

Reasons	Affected pages
Updated risk-based examination cycle	1, 20
Edited for clarity	2, 5, 7, 15
Updated to clarify language on distribution of excess payments	4, 5, 6, 27, 49
Updated servicemember verification language	5
Updated references	6, 13, 57
Removed references to reputation risk	16, 17, 18, 23, 30
Added content to reflect third-party risk management	18, 25