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Financial Success While in the Military

Maneuvers for a strong financial future

We salute our current and past servicemembers and want to share information on laws that provide consumer financial protection, specifically to military personnel and their families.

Servicemember Civil Relief Act

Congress established the Servicemembers Civil Relief Act (SCRA) to allow servicemembers to focus on carrying out their duties serving the country, without having to experience difficulties in their financial affairs as a result of their service. The SCRA protections cover matters such as loans, mortgage foreclosures, rental agreements, apartment and automobile leases, and credit reports.

One of the most significant provisions in the SCRA is a limitation on the interest rate that can be charged. Upon receiving a written notice or any other appropriate indicator of active military service (referred to here as an “active duty notice”), loans originated prior to entering military service must be reduced to six percent per year. The interest rate reduction begins on the date

the servicemember was called to military service and, for mortgages, extends for one year after service.

These benefits, however, are not automatic. A servicemember must request relief from the bank or other lender. The request should include a copy of the servicemember’s active duty notice, so the lender has the correct start date for his or her service. Active duty notices and requests for relief can be emailed, faxed, mailed, or overnighted to the lender. When the lender receives the request, they are required to lower the interest rate retroactively back to the day service began. Any interest charge above the six percent is forgiven.

SCRA provides servicemembers a number of other protections, in addition to interest rate limits. These protections include:

- **Credit Protection.** Lenders cannot deny or revoke credit, change the terms of an existing loan, or refuse to grant credit because SCRA protections were sought.
- **Automobile leases.** If a car lease is signed prior to active military service lasting 180 days or more, the lease can be terminated by the servicemember.
- **Apartment leases.** Termination by the servicemember of residential, professional, agricultural, or similar leases entered into prior to active duty is also permitted, if subsequent orders for a deployment of 90 days or more, or a permanent change of duty station occurs. Any unpaid rent and other fees, such as for damages that occurred prior to the effective date of termination, are the responsibility of the servicemember.
- **Eviction.** A landlord may not evict a servicemember, spouse, or their dependents from their primary residences *except by court order*, unless the rent exceeds a specified monthly amount during the period of military service.

- **Foreclosure.** Real or personal property owned before active military service that is secured by a mortgage, deed of trust, or similar security interest cannot be sold, foreclosed upon, or seized during the period of active military service or for a one-year period immediately after such service *without a court order*.

Military Lending Act

Another law, the Military Lending Act (MLA), gives different protections to active-duty servicemembers. The MLA limits the interest rates that can be charged on many consumer loans, known as the Military Annual Percentage Rate (MAPR), to no more than 36 percent. MAPR's 36 percent cap includes costs like finance charges, credit insurance premiums, application fees, and credit-related add-on products sold in connection with the credit.

The MLA also prohibits lenders from charging prepayment penalties and requiring servicemembers to submit to mandatory arbitration or waive their SCRA rights.

The types of loans covered by the MLA include payday loans, refund anticipation loans, vehicle title loans, overdraft lines of credit, and certain installment loans given to active duty servicemembers, spouses, and certain dependents.

For specifics on MLA protections, visit CFPB MLA [Consumer Affairs Protections](#).

Who Is Covered

SCRA provisions apply to:

- active duty members of the Army, Navy, Air Force, Marine Corps, or Coast Guard;
- reservists on federal active duty;
- servicemembers who are absent from duty as a result of being sick, wounded, on leave, or other lawful causes;
- members of the National Guard on federal orders for more than 30 consecutive days in connection with national emergencies;
- commissioned officers of the Public Health Service or the National Oceanic and Atmospheric Administration; and
- certain benefits and protections a servicemember's dependents, including his or her spouse, children, and any individual for whom the servicemember

provided more than one-half of his or her financial support for 180 days immediately preceding an application for SCRA relief.

MLA provisions apply to:

- active-duty members of the Army, Navy, Marine Corps, Air Force and Coast Guard, if serving on active duty for more than 30 days;
- servicemembers on active National Guard or Reserve duty for a period of 180 consecutive days or more; and
- dependents such as spouses, children younger than 21 years old, and full-time students younger than 23 (or of any age if incapacitated).

Steps Servicemembers Can Take

In addition to being aware of the benefits provided by the SCRA and MLA, a service member can do a number of things to ensure financial well-being.

- Review the protections under SCRA and MLA and make sure that you have requested relief for the protections provided under the law.
- Open a bank account. With direct deposit, you will get, and be able to use, your money faster than you would with a paper check. Besides getting your money faster. Another reason to open a bank account is safety. Since 1933, when the FDIC was created, no depositor has lost any insured funds when a bank failed. To learn more about why you should open a bank account, visit [Top Reasons to #GetBanked](#).
- If you already have a bank account, it may be helpful to review that account to make sure it continues to best serve your needs. To help you decide on what is important to you, use FDIC's checklist on [How To Pick A Bank Account](#).
- By understanding your financial condition, you can strategize to see yourself through both the good and the bad times. With a plan or a budget, you will know what you

are facing. For more information about having a plan, visit [Working Through Financial Difficulty](#).

- Order a copy of your free credit [report](#). Check to make sure all of the information on your credit report is accurate and complete. Check for inquiries by companies you don't recognize; notify the credit reporting agency if you see anything suspicious.

By understanding the servicemember protections provided by the SCRA and MLA, and by taking some personal steps to ensure their financial well-being, servicemembers can establish a strong financial future.

Additional Resources

FDIC Consumer News
<https://www.fdic.gov/consumers/consumer/news/february2019.html>

FDIC Consumer News
<https://www.fdic.gov/consumers/consumer/news/cnwin1314/creditcards.html>

CFPB – The Servicemembers Civil Relief Act (SCRA)
https://files.consumerfinance.gov/f/documents/cfpb_servicemembers-civil-relief-act_factsheet.pdf

CFPB – Lifecycle of the military consumer
https://files.consumerfinance.gov/f/documents/cfpb_lifecycle-of-military-consumer_resources.pdf

CFPB – What is the Military Lending Act and what are my rights?
https://files.consumerfinance.gov/f/documents/cfpb_military-lending-act-know-your-rights_handout.pdf

NCUA – Financial Well-Being of Servicemembers & Their Families <https://www.mycreditunion.gov/financial-resources/servicemembers>

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