

# 7 Steps to Simplify SCRA and MLA Lookbacks

They're back. Lately, we've seen clients receive an uptick in regulator requests for Servicemember Civil Relief Act (SCRA) and Military Lending Act (MLA) lookbacks. When caring for our servicemembers, the scale of sensitivity in providing the appropriate regulatory benefits and protections grows exponentially. **Start by understanding what a lookback entails and best practices to conduct one more efficiently.**

## How to Avoid a Lookback

Make sure your **Compliance Management System** has strong quality assurance and quality control routines to eliminate the risk of not adhering to SCRA and MLA regulatory requirements. You must be **100% confident** in the effectiveness of these systems and controls.

## What's Included?

SCRA lookbacks search for:

- **benefit requests** that were not processed;
- **misapplied benefits** where you offered them, but did so incorrectly; or,
- cases of **improper protection** against acts like repossession, foreclosure, default judgments, where you are assessing if the customer was SCRA eligible at the time the action took place.

MLA lookbacks seek out military eligibility at the time the loan was originated by the financial institution.

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**NOTE:** *MLA lookbacks are less complex than an SCRA lookback, as they don't require a search of any notification by the customer, and scope is narrowed to a single point in time.*

## How far back do I go?

Generally, **5-7 years** is minimum for a lookback period, but regulators will provide a timeframe.

## How does the Defense Manpower Data Center (DMDC) help?

The DMDC database catalogs the history of personnel in the military on behalf of the Department of Defense. This central data source

identifies, authenticates, authorizes, and provides information on personnel during and after affiliation with the Department of Defense.

## 7 Best Practices for an SCRA or MLA Lookback

If you're faced with an SCRA or MLA lookback, **use these best practices** and initiate the following steps once you have identified the correct account population for performing the lookback.

- 1. Assess internal or external needs to complete lookback** – Evaluate the size and scale of the eligible account population, the employee skill set and potential training needs, and the resource capacity impact to see if an external vendor is needed.
- 2. Invest time up front to prepare DMDC files for the highest quality** – Validate data integrity (complete name, SS#, and applied coverage/benefit dates); Run the DMDC inquiries with suffix (e.g. *Jr, II, 2nd, MD, DDS*) and name variations (hyphenated names, multiple last names, apostrophes).
- 3. Conduct a thorough review of all DMDC positive hits (SCRA only)** – Complete an image scan using key military words during the date ranges on any accounts identified from your DMDC search. After the image scan, conduct a detailed manual review of identified documents to validate that all eligible accounts received required coverage and/or treatment during the specified date range.
- 4. Escalate potential findings for remediation considerations** – Categorize remediation by internal policy violation, SCRA/MLA regulatory law violation (federal and/or state), or new information captured

## Lookbacks Resulting in Remediation

Remediations are more complex for an SCRA lookback than for an MLA lookback. For SCRA you must calculate a daily interest rate for any loan charged over the 6% effective interest rate cap on loans obtained prior to a servicemember entering active duty.

Additionally, the remediation for a foreclosure or repossession can be more complex in compensating your customer.

The nature of the MLA prohibits lenders who provide consumer credit to covered servicemembers from charging a military annual percentage rate ("MAPR") of interest in excess of 36%, which for most loan agreements, is not applicable.

in the lookback that is not an internal policy or a law violation. Prioritize all remediation decisions by servicemembers in active duty. Any final remediation approvals must detail the calculation for compensation to the servicemember and should go through a governance approval channel from both legal and compliance stakeholders.

- 5. Implement strong QA/QC activities to support your lookback review** – Effective QA and QC steps will help validate your

results. Ensure these resources are people who weren't involved in the lookback review, such as internal audit or an external vendor.

- **QA** – a 2nd line of defense participant should perform the same review as the 1st line of defense to see if they come up with the same findings of any positive hit.
- **QC** – identify a statistically significant sample size for positive hit populations and non-positive hit populations.

**6. Establish Dashboard Reporting** – Create and socialize performance reporting as it relates to your lookback.

### Dashboard Elements

- a. Eligible population successfully submitted through the DMDC, and volume returned for Personally Identifiable Information errors.
- b. Image document review status, and the number identified for manual review
- c. Volume of population escalated for remediation
- d. Remediation completion status

### 7. Identify and fix broken process steps –

Eliminating issues will prevent future harm to servicemembers and will also help establish a defined end to the lookback period. This should be done in parallel with the lookback, unless the issue was previously diagnosed and resolved prior to the lookback.

## Make Sure Your Lookbacks are Effective and Efficient

A lookback review can be complex, a drain on resources, and very expensive. Initial planning with the right organizational structure to conduct the lookback is essential. Bridgeforce has managed all the steps outlined above, from assessing initial account populations to creating dashboards for clients.

**Our expertise can ensure that your lookback activities are handled correctly and efficiently the first time through.**

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