

SCRA

The DOJ ups the ante



A rundown of additional eligibility and communication expectations for lenders

The Servicemembers Civil Relief Act (SCRA), protects servicemembers with unique benefits relating to pre-existing financial loans. So, to properly identify a servicemember's eligibility for benefits, compliant financial organizations follow several operational processes.

The Department of Justice (DOJ) increased SCRA consent orders by 100% in 2020. New DOJ expectations for creditors and service providers are requiring **additional steps to determine eligibility and communicate with servicemembers**. We highlight those expectations below.



Failure to master the DOJ's expectations can lead to extreme **regulatory scrutiny** and a lengthy and complex SCRA lookback.

Organizations will now need to meet **increased demands** that were once considered simply best practices.

SCRA
REQUIREMENTS

SCRA+DOJ
EXPECTATIONS

We've seen CFPB complaints about SCRA steadily increase over the years—rising by 28% from 2017 to 2019. Now is the time to **assess and adjust your SCRA program** to maintain compliance.



Borrower Documentation



SCRA REQUIREMENT

The servicemember shall provide to the creditor written notice and a copy of – (i) Military orders calling the servicemember to military service and any orders further extending military service; or (ii) any other appropriate indicator of military service, including a certified letter from a commanding officer. 50 U.S.C. §3937 (b)(1)(A)



DOJ EXPECTATIONS

Creditors should ensure that **any form of appropriate documentation** provided by a servicemember is leveraged when evaluating a borrower for SCRA eligibility.



Eligibility Confirmation



SCRA REQUIREMENT

The creditor "may" use the Department of Defense's Defense Manpower Data Center (**DMDC**) website to confirm eligibility, but it is **not required**.



DOJ EXPECTATIONS

Expects the practice of using the **DMDC** to confirm eligibility as a documented procedure for each creditor.



Eligibility Evaluation Timing



SCRA REQUIREMENT

There is **not a clear timeframe** documented in the CFPB to inform a borrower.



DOJ EXPECTATIONS

Within two billing cycles they shall determine the borrower's eligibility for the reduced interest rate on all contracts held by that borrower.



Timing of Ineligibility Notification



SCRA REQUIREMENT

After determining that a borrower is not eligible for an interest rate reduction pursuant to the SCRA, the creditor shall notify the borrower in writing of the reason(s) for the denial.



DOJ EXPECTATIONS

The **notification in writing must happen within 21 days**; and shall ensure the letter provides the borrower an **opportunity to provide additional documentation** or information to attempt to establish eligibility for the reduced interest rate.



Benefit Expiration



SCRA REQUIREMENT

A creditor should use **end dates on military orders** provided by the borrower as a reference point to suspend benefits.



DOJ EXPECTATIONS

A creditor should expire benefits only when the **DMDC says the borrower is out of active duty**.

Contact Bridgeforce today to create your SCRA Center of Excellence.

We've built SCRA centers of excellence—let us help you design yours. Bridgeforce has provided hands-on industry experience with all aspects of SCRA. We've managed lookbacks, assessed customer journeys and designed workshops on best practices. We have also created policies and desktop procedures for SCRA compliance.

To learn how to stay compliant in the changing SCRA landscape, email impact@bridgeforce.com.