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Section 3 Requirements

When a servicemember applies for, or receives a stay, postponement, or suspension of the servicemember's obligations or liabilities, the SCRA prohibits [Sample Client] from taking any of the following actions:

- Making a determination that the servicemember is unable to pay the obligation or liability in accordance with its terms
- Denying or revoking credit, changing the terms of an existing credit arrangement, or refusing to grant credit to the servicemember in substantially the amount or on substantially the terms requested
- Providing an adverse report relating to the creditworthiness of the servicemember by or to a consumer reporting agency
- Noting in a servicemember's record identifying the servicemember as a member of the National Guard or a reserve component

3.1 Maximum Rate of Interest on Loans

Any mortgage loan incurred by a person prior to becoming a servicemember (also known as a "preservice obligation"), to include a joint mortgage loan with a spouse, is entitled to have the interest rate on the loan reduced to a maximum of 6% per year.

A qualifying servicemember may request an interest rate reduction from [Sample Client] at any time while serving on active duty and up to 180 days after release from active duty.

To receive the rate reductions, the qualifying servicemember must notify [Sample Client] in writing and include a copy of servicemember's orders to active-duty service or a letter from the servicemember's commanding officer evidencing the date active-duty service began.

The rate reduction for pre-service obligations applies during the period of active-duty service for mortgage loans, and for an additional year after the end of active-duty service. When [Sample Client] receives a proper request for an interest rate reduction under the SCRA, [Sample Client] must reduce the interest rate on pre-service obligations to 6% for the entire active-duty service period.

[Sample Client] is prohibited from adding the amount of interest above 6% into the loan later. [Sample Client] must forgive any interest at a rate in excess of 6% per year that would otherwise be incurred.

[Sample Client] must reduce the amount of any periodic payment due from a servicemember by the amount of the forgiven interest forgiven allocated to the period for which such payment is made.

Section 4 Servicing Compliance

4.1 Compliance with Requirements

4.1.1 Written Waiver of Rights

If a servicemember knowingly and voluntarily elect to waive the protection provided by the SCRA [Sample Client] must obtain both the following from the servicemember:

- Waiver in writing and executed as an instrument separate from the obligation or liability to which it applies during or after the servicemember's [period of military service](#)
- A written agreement specifying the legal instrument to which the waiver applies and, if the servicemember is not a party to that instrument, the servicemember concerned

The waiver remains in place until the servicemember leaves active duty. If a servicemember re-enters active duty, the servicemember must reapply to waive the protections of the SCRA.

4.1.2 Maximum Interest Rate on Loans

Servicemembers can request an interest rate reduction at any time while serving on active duty and up to 180 days after release from military service.

To request an interest rate reduction, the servicemember or other qualified person under the SCRA requirements, must submit both the following to [Sample Client]:

- A written notice and a copy of the military orders calling the servicemember to military service
- Any orders further extending military service or any other appropriate indicator of military service, including a certified letter from a commanding officer

Upon receipt, [Sample Client] must take all the following actions:

- Retrieve from the [DMDC database](#) validation that the servicemember is on active duty
- Reduce the interest rate on any loan incurred before entry into military service by the servicemember, or a servicemember and spouse jointly, to no more than 6% per year
- Apply the reduced interest rate retroactively to the first day of active-duty service and extend it for one year after the end of the active-duty service
- Forgive [interest](#) and service fees in excess of 6% for the active-duty service period, plus one year
- Recompute periodic payments so that interest and all fees stay within the 6% annual cap for the active-duty service period, plus one year

Appendix 1 Definitions

Active-Duty Military Service

Active-duty military service applies to all the following:

- A member of the armed forces (Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard) serving in full-time duty in the active military service of the United States (includes full-time training duty, annual training duty, and attendance, while in the active military service, at a school designated as a service school by law or by the secretary of the military department concerned)
- A National Guard member under a call to active service authorized by the president or the secretary of defense for a period of more than 30 consecutive days for purposes of responding to a national emergency declared by the president and supported by federal funds,
- A commissioned officer of the Public Health Service or the National Oceanic and Atmospheric Administration when the officer is on active duty
- Any member of a reserve unit called to active duty

Board of Directors

A board of directors is an executive committee that supervises the activities of an organization. As it relates to a Compliance Management System (CMS), the board is ultimately responsible for developing and administering a CMS that ensures compliance with federal consumer financial laws and addresses and minimizes associated risks of harm to consumers. In a non-depository consumer financial services company, that ultimate responsibility may rest with a board of directors in the case of a corporation or with a controlling person or some other arrangement. Some institutions may be governed by firm-wide standards, policies, and procedures developed by a holding company or other top-tier corporation for adoption, use, and modification, as necessary, by subsidiary entities.

Compliance Management System

A comprehensive system that drives an institution's compliance responsibilities; communicates those responsibilities to employees; ensures that responsibilities for meeting legal requirements and internal policies and procedures are incorporated into business processes; reviews operations to ensure responsibilities are carried out and legal requirements are met; and takes corrective action and updates tools, systems, and materials, as necessary.

Default Judgment

A ruling against a defendant in a court proceeding because the defendant did not respond to a summons or failed to appear in court.