



# WHAT IS SCRA?

## Servicemembers Civil Relief Act

Page 1 of 3

**The Servicemember's Civil Relief Act (SCRA)** expanded and improved the former Soldiers' and Sailors' Civil Relief Act (SSCRA). The SCRA provides a wide range of protections for individuals entering, called to active duty in the military, or deployed servicemembers. It is intended to postpone or suspend certain civil obligations to enable service members to devote full attention to duty and relieve stress on the family members of those deployed servicemembers. A few examples of such obligations you may be protected against are:

- ✓ Outstanding credit card debt
- ✓ Mortgage payments
- ✓ Pending trials
- ✓ Taxes
- ✓ Terminations of lease.

### **In addition the new law:**

- Expands current law that protects servicemembers and their families from eviction from housing while on active duty due to nonpayment of rents that are \$1,200 per month or less. Under the new provisions this protection would be significantly updated to meet today's higher cost of living covering housing leases up to \$2,932.31 per month and then be adjusted annually to account for inflation.
- Provides a servicemember who receives permanent change of station orders or who is deployed to a new location for 90 days or more the right to terminate a housing lease.
- Clarifies and restates existing law that limits to 6 percent interest on credit obligations incurred prior to military service or activation, including credit card debt, for active duty servicemembers. The SCRA unambiguously states that no interest above 6 percent can accrue for credit obligations (*that were established prior to active duty or activation*) while on active duty, nor can that excess interest become due once the servicemember leaves active duty instead that portion above 6 percent is permanently forgiven. Furthermore, the monthly payment must be reduced by the amount of interest saved during the covered period. .
- Updates life insurance protections provided to activated Guard and reserve members by increasing from \$10,000 to \$250,000 the maximum policy coverage that the federal government will protect from default for nonpayment while on active duty.



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Page 2 of 3

Prevents servicemembers from a form of double taxation that can occur when they have a spouse who works and is taxed in a state other than the state in which they maintain their permanent legal residence. SCRA will prevent states from using the income earned by a servicemember in determining the spouses tax rate when they do not maintain their permanent legal residence in that state.

### SCRA Eligibility

The SCRA covers all Active Duty servicemembers, Reservists and the members of the National Guard **while on active duty**. The protection begins on the **date of entering active duty and generally terminates within 30 to 90 days after the date of discharge from active duty**.

## Sample Letter to Creditors/Mortgage Lenders to Request a Reduction in Interest Rates under the SCRA- FOLLOWS BELOW

*Note: The following is a sample only. It is not legal advice of any kind. Any request for a reduction in interest rates should be sent to the creditor via **CERTIFIED MAIL, RETURN RECEIPT REQUESTED to comply with the SCRA and provide the sender with proof it was received. DO NOT PUT THIS LETTER ON MILITARY OR FRG LETTERHEAD***



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Page 3 of 3

[Service members Return Address]

[Date]

[CREDITOR ADDRESS]

Dear [Sir or Madam]:

I am currently obligated to your company for a loan in the amount of approximately [\$], at an interest rate of [%]. This obligation was entered into on [DATE]. At that time I was not on active duty in the armed services.

I have now entered [or been notified that I will enter] active military service in the U.S. [BRANCH OF SERVICE] on [DATE]. A copy of my orders is enclosed. My entry into active military service materially affects my ability to meet my repayment obligation.

The Service Member's Civil Relief Act (50 U.S.C. App. Â§Â§ 501-596) limits the amount of interest military service members entering active duty may be charged on any existing debt to 6% or less of annual interest. The law requires that this interest rate apply to the outstanding balance of the obligation, beginning the date of entry into active military service, and that the rate is maintained for the duration of active service. This interest includes service charges, renewal charges, fees, or any other charges.

Under 50 U.S.C. App. Â§ 527(a)(2) any excess interest above 6% must be forgiven, not accrued. The periodic repayment amount must be recalculated to reflect this reduction. Please ensure that your records in this matter reflect the rate reduction required by law and that any excess charges incurred during the period of my active service are withdrawn.

Please note that Service Members Civil Relief Act also limits the manner in which you may enforce this obligation, including limiting rights to repossession or foreclosure.

Thank you for your attention in this matter. I can be reached at the address above with any questions you may have.

Sincerely,

[Service member's name, rank and branch of service]