



Credit Union National Association

# ***CUNA Issue Summary***

## **SERVICEMEMBERS CIVIL RELIEF ACT (SCRA)**

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**ISSUE:** The *Soldiers' and Sailors' Civil Relief Act* (SSCRA) of 1940 was enacted to further the interests of the national defense by temporarily limiting financial obligations of individuals whose ability to repay had been lessened as a result of going on active duty in the US military. In December of 2003, the *Servicemembers Civil Relief Act* (SCRA) was signed into law to "restate, clarify and revise" the SSCRA. The SCRA does not relieve the obligation of active duty servicemembers to repay debts. However, it does recognize that some individuals who incurred debts prior to active duty may not be able to afford loan payments on active duty pay.

**CUNA POSITION:** CUNA, because of its relationship to the Defense Credit Union Council which represents over 270 defense related credit unions and 10 million credit union members, supports the new SCRA.

**IMPACT ON CREDIT UNIONS:** The current SCRA reinforces several existing policies that impact credit unions and their relationship with servicemembers including (but not limited to):

- Maintaining the 6% interest rate cap. However, the language of the statute would clarify that the limitation applies to the servicemember or to the servicemember and his or her spouse jointly, and that any interest in excess of 6% that would otherwise have been incurred is forgiven.
- Allowing servicemembers deploying to new duty stations to terminate automobile leases without having to pay any early termination penalties.
- Providing 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.
- Preventing personal property (such as automobiles) from being repossessed without a specific court order in order to take into account a servicemember's military duty status.
- Providing servicemembers with automatic 90-day stays in civil proceedings; if an additional stay is subsequently requested but denied, the court will be required to appoint a counsel to protect the servicemember's rights while he or she remains on active duty.

**STATUS/OUTLOOK:** CUNA continues to monitor new developments in Congress that seek to change policies under the existing SCRA. On July 31, 2008, President Bush signed into law the *Housing and Economic Recovery Act of 2008* (H.R. 3221). Among other provisions, this legislation provides some immediate protection to servicemembers having trouble making mortgage payments. The new law amends the *Servicemembers Civil Relief Act* (SCRA) by:

- Offering nine months of protection (formerly 90 days) from mortgage foreclosures for returning servicemembers after they separate from active duty. This provision remains in effect until Dec. 31, 2010; and
- Extending the SCRA's six percent interest rate cap for one year (formerly 90 days) beyond the period of military service if the debt is a mortgage, trust deed, or other security in the nature of a mortgage.

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**RELATED DOCUMENTS:**

[CUNA's E-Guide on the \*Servicemembers Civil Relief Act\*](#)

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