



## **The Servicemembers Civil Relief Act - Protecting our Servicemembers Frequently Asked Questions (FAQ)**

The Servicemembers Civil Relief Act (SCRA) is a federal law which protects servicemembers in a number of ways so that they can devote their energy to the nation's defense. This notice focuses on one provision that limits the maximum interest rate on student loans to 6%.

### ***Who is a "servicemember?"***

- Active Duty members of the Army, Navy, Air Force, Marine Corps, and Coast Guard
- Reserve members while on active duty
- National Guard members while on active duty for federal service, not for state duties
- Commissioned Officers of the Public Health Service and National Oceanic and Atmospheric Administration

### ***Does this protection only apply to times when the nation is at war or to those deployed in hostile areas?***

No, this protection applies to all active duty servicemembers, whenever and wherever deployed.

### ***What student loans are covered?***

Any loan incurred by a servicemember (or jointly with a spouse) before military service, including:

- All federally-sponsored loans, including Stafford Loans, Unsubsidized Stafford Loans, Plus Loans, or GradPlus Loans made under the:
  - William D. Ford Direct Loan Program, or
  - Federal Family Education Loan (FFEL) Program
- Private education loans

### ***What is the maximum interest rate limit?***

The interest rate cannot exceed 6 percent per year. All interest in excess of 6 percent is forgiven. Creditors cannot add this amount to the obligation or take any action that would result in the servicemember paying the excess at a later date. In addition, the creditor must lower the required payment.

### ***What is counted as interest?***

Service charges, late charges and other charges and fees, excluding insurance charges, which occurred during the period of military service are counted as interest. However, origination and application fees assessed prior to military service are not included.

### ***Are interest rate reductions given automatically?***

Yes, as of July 1, 2016, all loan holders are required to use the Department of Defense's Manpower Data Center (DMDC) SCRA database to identify all eligible borrowers with an outstanding loan on at least a monthly basis. Prior to July 1, 2016, many loan holders used the DMDC SCRA database to identify eligible borrowers and apply the interest rate without a specific request from the servicemember.

### ***How long does this rate cap apply?***

It applies through the servicemember's period of military service. However, for Direct Loans and FFEL loans, the rate cap cannot be applied retroactively to periods before August 14, 2008.

### ***What should a servicemember do if they're unsure that they qualify?***

Any servicemember who thinks they may be eligible for this interest rate cap should contact their lender or servicer.

### ***What other resources are available for servicemembers to learn more about this program?***

- [http://files.consumerfinance.gov/f/201210\\_cfpb\\_servicemember-student-loan-guide.pdf](http://files.consumerfinance.gov/f/201210_cfpb_servicemember-student-loan-guide.pdf)
- <http://studentaid.ed.gov/types/grants-scholarships/military#limited-interest-rates-suspended-accrual-of-interest-and-deferment-of-student-loans>