

SERVICEMEMBERS CIVIL RELIEF ACT

1. Purpose. This circular is a short reminder to servicers of several key provisions of the Servicemembers Civil Relief Act (hereafter referred to as either SCRA or the Act) and the need to establish appropriate internal controls to comply with the Act.

2. General Summary. This circular should not be construed as providing legal advice to veterans, servicers, or loan holders with respect to requirements of the Act. The SCRA (50 U.S.C. Appendix §§ 501-596) provides numerous protections to active duty military members and reservists, or members of the National Guard called to active duty, and, in limited situations, dependents of military members. The SCRA is intended to ease the economic and legal burdens on military personnel during their active service by postponing, suspending, or mitigating various types of obligations, including mortgage loans. The SCRA provides relief during and after active service under certain circumstances, including: restricting the maximum interest rate that may be charged on an obligation following a call to active military service; providing certain relief related to evictions; requiring court approval for a non-judicial foreclosure unless the servicemember agrees in writing to allow the foreclosure; and providing protection to a servicemember who obtained a mortgage after entering active duty, but who is not readily available (especially due to an overseas assignment) to defend him or herself against judicial proceedings.

3. Enforcement of the Act. The Department of Veterans Affairs (VA) is not charged with enforcement of the Act, as that is delegated to any court of competent jurisdiction of the United States or of any State. However, VA expects every servicer of VA-guaranteed loans to diligently follow all requirements of the Act to provide its benefits to all eligible borrowers. VA performs its mission of serving veterans by ensuring that they receive every opportunity to retain their home or avoid foreclosure and by intervening with the servicer on a veteran's behalf when necessary. VA advises veterans and their families to seek cooperation from their servicers in applying the protections of the SCRA whenever appropriate. VA will review servicers' compliance with the Act in its ongoing monitoring and audits of servicers. VA is not in a position to offer legal advice to veterans, servicers, or loan holders concerning requirements of the Act; however, the legal offices at military installations offer legal assistance to servicemembers.

4. Servicer Guidance. VA encourages loan servicers to establish controls to ensure they are in full compliance with the SCRA and that their servicing procedures encompass appropriate actions when the SCRA may be applicable, especially with respect to allowable interest rate charged and foreclosure proceedings. It has also been the longstanding policy of VA to encourage servicers to extend all reasonable forbearance in the event a borrower becomes unable to meet the terms of a VA loan. This policy is

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especially appropriate when delinquencies may be the direct result of disruptions due to special military actions, such as unexpected deployments causing family separations and financial burdens for active duty military members. Financial difficulties may be even more severe in such situations for members of the Reserves or National Guard who may be unexpectedly called to active duty for extended periods of time. If it appears that more than simple forbearance is warranted, VA regulations allow holders considerable latitude in modifying the terms of a loan to prevent foreclosure and to help the borrower retain and pay for his or her home. Such modifications may include loan extension, reamortization, and interest rate reduction refinancing to prevent and/or cure a default.

5. Questions. If you are an active duty military member or a veteran with questions about your loan, please call our toll-free number, (877) 827-3702, to reach the nearest trained VA Loan Technician who can counsel you about your situation.

6. Rescissions:

- a. Circular 26-01-10 is rescinded immediately.
- b. This circular is rescinded January 1, 2014.

By Direction of the Under Secretary for Benefits

Richard Fyne, Acting Director
Loan Guaranty Service

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