

703.1. PURPOSE/OVERVIEW

- 1.1. On loans to military personnel, San Francisco Federal Credit Union (SFFCU) will comply with the Service members Civil Relief Act (SCRA) of 2003 (50 U.S.C.501 et seq.) This Act requires that the interest rate on loans incurred before military personnel began active duty be reduced to 6% for the duration of the active duty. It also affords additional protections to such personnel. SFFCU will also comply with the Department of Defense's "Limitations on Terms of Consumer Credit Extended to Service Members and Dependents" and the NCUA Letter to federally Insured Credit Unions "Mortgage Servicing Practices Impacting Military Homeowners" which provides additional protections for the loans outlined herein. Additionally, SFFCU will comply with any applicable state law that may cover a particular member.
- 1.2. Active service members and dependents that have credit extended by San Francisco Federal Credit Union are subject to this policy.

703.2. GENERAL SCRA PROCEDURE

1. **Primary Coverage.** The Act protects persons on active duty in the Army, Air Force, Navy, Marine, and Coast Guard. This includes reserve units that are called to active duty. National Guard members are covered when called to active service authorized by the President or the Secretary of Defense for a period longer than 30 days. "Active duty "can occur during peacetime, including active duty training (boot camp, training and education programs (ROTC), or a reserve component call-up (such as Operation Desert Shield in 1990-1991).
2. **Special Coverage.** In certain situations, protection extends to:
 - i. Persons who are financially dependent on the service member, defined as the service member's spouse, child, or an individual for whom the service member provided more than one half of the individual's support for 180 days immediately preceding an application for SCRA relief.
 - ii. Cosigners, guarantors, or endorsers of debts incurred by the service member.
- b. **Debts Covered.** The SCRA applies to debts incurred by the service member before they entered into active duty. Thus, credit card charges made after active duty began are not subject to the protections of the Act.
- c. **Interest Rate Reduction To 6%.**
 1. On any covered debt incurred **prior** to active duty, San Francisco Federal Credit Union must reduce the interest rate to 6% during the period of active duty.

- i. The service member must provide San Francisco Federal Credit Union with a written notice and military orders calling him/her to active duty, as well as any orders further extending military service.
- ii. The rate reduction takes effect when active duty began, not when San Francisco Federal Credit Union receives notice of the active duty.
- iii. "Interest" includes all service charges, renewal charges, fees or any other charges (except bona fide insurance).
- iv. San Francisco Federal Credit Union **must** reduce the amount of the payment on outstanding balances and **cannot** reduce the number of total payment to be made.
 2. Under the Housing an Economic Recovery Act of 2008 (HERA), the 6% rate reduction for all obligations and liabilities consisting of a mortgage, deed of trust or other security in the nature of a mortgage, incurred **during** the period of active military service is to be extended until one year **after** active duty status.
 3. San Francisco Federal Credit Union **must** forgive any interest in excess of 6% that would have been incurred if no rate cap was in effect.
 4. The 6% limit does **not** apply to new advances under an existing credit card or home equity line of credit program.
 5. San Francisco Federal Credit Union **cannot** automatically refuse to lower the rate. In order to challenge the rate reduction, San Francisco Federal Credit Union can petition an appropriate court to authorize a higher interest rate. San Francisco Federal Credit Union must show that the service member's ability to repay the loan is "not materially affected" by the active duty service.
 6. San Francisco Federal Credit Union may reinstate the original contract rate on non-mortgage loan debt outstanding balances as soon as the service member is no longer on active duty.
 7. San Francisco Federal Credit Union may reinstate the original contract rate on mortgage loan debt outstanding balances one year following the end of active duty service to the military.
 8. Unless there is a joint obligation with the service member, dependents are generally **not** entitled to receive reduced rates of interest on loans, but may seek court protection to prevent foreclosure, repossession or an out of court sale.
- d. **Renegotiation of Loan Contracts.** Rather than collect the 6%, San Francisco Federal Credit Union and the service member may choose to renegotiate the original loan contract. Under the SCRA, contracts may be modified, terminated or cancelled, and that property which is security for an obligation may be repossessed, foreclosed, sold or forfeited pursuant to a

written agreement between the service member and San Francisco Federal Credit Union that is entered into during or after the period of active duty. All decisions to renegotiate contracts shall be made by senior management.

e. Truth-In-Lending Issues.

1. **Open-End Loans.** For open-end loans, a change-in-terms notice is required when San Francisco Federal Credit Union reinstates the contractual rate. This notice may be sent when San Francisco Federal Credit Union receives notice of active duty.
2. **Closed-End Loans.** For closed-end loans, an additional disclosure is only required for variable-rate loans secured by a member's principal dwelling that have a term of greater than one year. This notice must be sent at least 25 days and no more than 120 calendar days prior to the date that a payment at the new level is due, and includes the following information:
 - i. The current and prior interest rates;
 - ii. The index values upon which the current and prior rates are based;
 - iii. The extent to which San Francisco Federal Credit Union has foregone an increase in the interest rate;
 - iv. The contractual effects of the adjustment, including the payment due after the adjustment and a statement of the loan balance; and
 - v. The payment, if different from the disclosure, which would be required to fully amortize the loan at the new interest rate over the remainder of the loan term.
- f. **Suspension of Payments and Extension of Loan.** A service member may request a court to suspend loan payments that fall due during active duty if the service member is being sued for repayment of an obligation, the court may authorize reduced or suspended payments.
 1. If such payments are suspended, the service member must begin making payments when active duty ends over an extended period of time authorized by the court. The maximum extension that may be authorized depends on the type of security.
 - i. **Loans Secured by Real Estate.** The maximum extension is the remaining term of the loan plus the period of active duty service.
 - ii. **Loans Secured by Personal Property.** The maximum extension is no longer than the period of active duty service.
 2. Loan payments that fall due after active duty terminates must be paid on time.
- g. **Restriction on Default Judgments.** In order to obtain a default judgment, San Francisco Federal Credit Union must provide an affidavit stating facts showing that the defendant is not in military service. If the statement is not

filed, the judgment is voidable (i.e., can be set aside and reopened by the service member upon proper showing that he/she has been prejudiced because of military service in making a defense.)

- h. **Reopening Default Judgments.** A service member may have a default judgment reopened if the judgment was entered during service or within 60 days after separation from service. The service member must apply to the same court that entered the judgment and must file within 90 days after his or her military service ends.
- 1. Setting aside a default judgment will impair the rights or title to property that has been acquired by a bona fide purchaser. Thus, if a car is properly repossessed and resold to a bona fide purchaser, the defendant would not be able to reclaim the car, but could seek money damages from San Francisco Federal Credit Union.
- i. **Prohibition of Foreclosures and Repossessions.** For covered debts secured by a service member's real or personal property, San Francisco Federal Credit Union cannot foreclose on or repossess the security unless San Francisco Federal Credit Union has first obtained prior authorization from a court, unless the service member and San Francisco Federal Credit Union entered into a loan agreement or modification after the member's active duty service that allows San Francisco Federal Credit Union to foreclose on the loan and repossess the property.
- 1. **Default Notification.** Pursuant to Section 688 of the National Defense Authorization Act for Fiscal Year 2006, San Francisco Federal Credit Union will provide homeownership counseling notification (prepared by the Department of Housing and Urban Development (HUD)) to all members in default regarding the foreclosure rights of service members and their dependents under the SCRA. The notice must:
 - i. Be sent to all homeowners who are in default on a residential mortgage (HUD's counseling notification requirement only applies to a loan that is secured by the principal residence of the homeowner);
 - ii. Include the toll-free military one-source number to call if service members or their dependents require further assistance (1-800-342-9647); and
 - iii. Be made within 45 days from the date of a missed payment was due, unless the homeowner pays the overdue amount before the expiration of the 45-day period.
- 2. In order to initiate a foreclosure under HERA, San Francisco Federal Credit Union must wait **twelve (12) months after** a service member returns from active duty service.
- j. **Stay of Legal Proceedings.** During service or within 90 days of separation,

the service member can request a stay of any legal proceeding including enforcement of a judgment (e.g., execution, garnishment), or the court may enter a stay on its own motion. The court shall grant the stay unless the service member's active duty does not materially affect his or her ability to defend the proceeding. If the proceeding is stayed, San Francisco Federal Credit Union cannot assess any fines or penalties against the service member while the stay is in effect. This protection applies to all of a service member's debts, including those incurred during active duty.

1. The fact that a service member applies for or is granted temporary relief from his/her obligations and liabilities pursuant to the SCRA may not in and of itself be the basis for any of the following by San Francisco Federal Credit Union:
 - i. A determination that the service member is unable to pay the obligation or liability under its terms;
 - ii. A denial or revocation of credit, change in the terms of an existing credit arrangement, or refusal to grant credit in substantially the same amount or on substantially the same terms requested;
 - iii. An adverse report related to the creditworthiness of the service member by or to a credit bureau;
 - iv. A note in the service member's record identifying him/her as a member of the National Guard or a Reserve component;
 - v. A refusal to insure the service member; or
 - vi. A change in terms offered or conditions required for the issuance of insurance.
2. **Statute of Limitations.** The time period in which a claim must be made is suspended during the period of military service, even if a claim arose prior to or during active duty service.
3. **Eviction and Distress.** When San Francisco Federal Credit Union becomes the owner of residential property that is rented to a service member, San Francisco Federal Credit Union may not evict a service member or his/her dependents unless a court order is obtained. Additionally, San Francisco Federal Credit Union may not subject the premises to "distress" (seizure of property to secure payment of overdue rent) during the period of military service.
4. **Termination of Leases.** The SCRA permits service members from terminating a "covered lease" if he/she delivers written notice of termination, along with a copy of his/her military orders to San Francisco Federal Credit Union or its agent. This notice must be delivered by hand, private business carrier, or U.S. Mail, posted prepaid, return receipt requested.

- i. **Real Property Leases.** A “covered lease” of real property is a lease of premises occupied, or intended to be occupied, by a service member or his/her dependents for a “residential, professional, business, agricultural or similar purpose” **and** either (1) is executed by or on behalf of a person who thereafter and during the term of the lease enters military service; or (2) is executed by a service member while in military service who thereafter receives military orders for a permanent change of station or to deploy with a military unit for a period of at least 90 days.
 1. For residential leases that provide for monthly rent payments, once the notice is delivered, the termination is effective 30 days after the next rental due date.
- ii. **Motor Vehicle Leases.** A “covered lease” is a lease of a motor vehicle uses, or intended to be used, by a service member or his/her dependents for personal or business transportation if (1) the lease is executed by or on behalf of a person who thereafter and during the term of the lease enters military service under a call or order specifying a period of not less than 180 days (or who enters service under such a call and, without a break in service, receives orders extending the period of military service to a period of not less than 180 days); or (2) the service member, while in military service, execute the lease and later receives military orders for a permanent change of station or to deploy with a military unit for a period of not less than 180 days.
 1. Along with the termination notice, the service member must return the vehicle to San Francisco Federal Credit Union no later than 15 days after the date of the delivery of the written notice.
 2. Termination is effective once the notice requirement and return of the vehicle are satisfied.
 3. Early termination fees are prohibited, but any taxes, summonses, title and registration fees or other lessee obligations, including reasonable charges for excessive wear and tear, use and mileage, etc. that are due and unpaid at the time of termination may be charged.
- iii. **Installment Contracts.** If a service member has paid a deposit or installment of the purchase price prior to military service, San Francisco Federal Credit Union may not, without a court order, exercise a right or option to terminate the contract or repossess the property for nonpayment that occurs prior to or during military service.
- iv. **Protection of Dependents, Cosigners, Guarantors, and Endorsers.** If a legal proceeding is stayed, the court may extend the stay to any dependent, cosigner, guarantor, or endorser of the service member’s debt.

703.3. MORTGAGE SERVICING PRACTICES

4.1. San Francisco Federal Credit Union will adhere to the following guidelines in mortgage servicing practices for military members with permanent change of station orders:

a. Persons Protected

1. **Primary Coverage.** The NCUA Letter to Credit Unions 12-CU-07 applies to military service members who have received mortgage services from San Francisco Federal Credit Union and have received Permanent Change of Station orders from the military.

- i. Mortgage services include managing a member's loan account and collecting and crediting monthly payments.
 - ii. Permanent Change of Station (PCS) orders require service members to move to a new duty station, are non-negotiable, and operate under short, strict timelines.
- b. **Loans Covered.** San Francisco Federal Credit Union will follow the guidance of NCUA Letter to Credit Unions 12-CU-07 for all mortgage loans and mortgage services provided to military service members.
- c. **Servicing Assistance.** San Francisco Federal Credit Union will protect military homeowners with PCS orders by:
- 1. Providing homeowners with accurate, clear, and readily understandable information about available assistance options they may qualify for based on information known to San Francisco Federal Credit Union.
 - 2. Provide a reasonable means for members to obtain information on the status for their request for assistance.
 - 3. Communicating San Francisco Federal Credit Unions decisions on requesting assistance in a timely manner.
 - 4. San Francisco Federal Credit Union will **NOT** ask a service member to waive their rights under the Service Members Civil Relief Act as a prerequisite to providing information about available assistance options or eligibility for assistance.
 - 5. San Francisco Federal Credit Union will **NOT** advise service members who are current on their loans and able to make monthly payments to skip payments creating the appearance of financial distress in order to qualify for assistance.
- d. **Training.** San Francisco Federal Credit Union will provide training to employees in the capacity to assist service members with mortgage servicing issues covering assistance programs and options available to military service members.

Revision History

Version	Date	Comment
1.0	12/18/2013	Policy inception
	12/16/2015	Updated policy limits
	12/21/2017	Added Revision History section