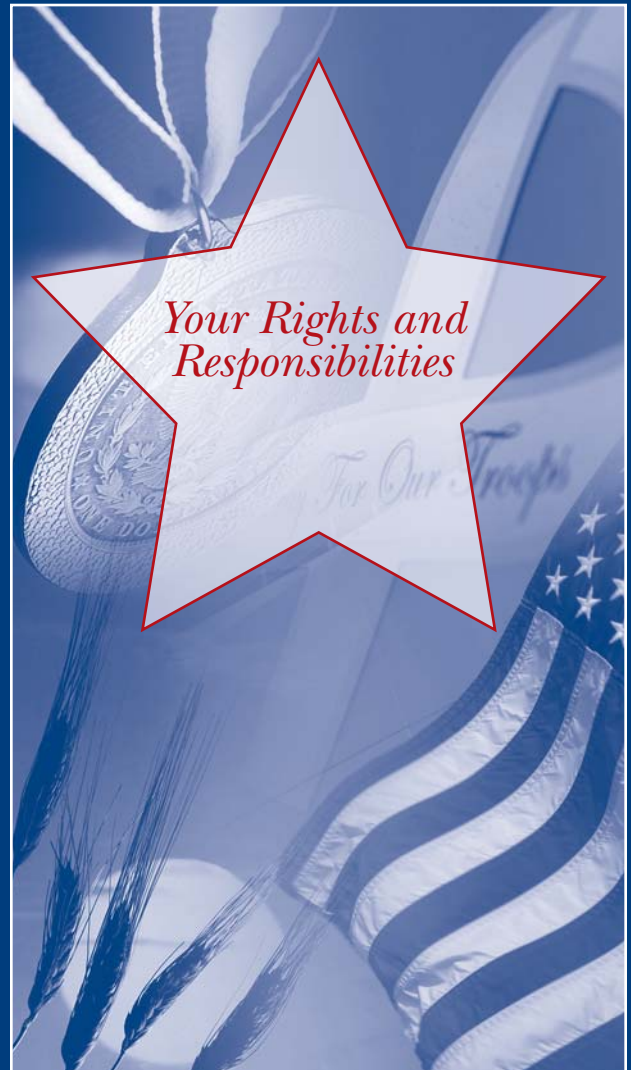


THE SERVICEMEMBERS CIVIL RELIEF ACT



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THE SERVICEMEMBERS CIVIL RELIEF ACT (SCRA)

The SCRA temporarily reduces the financial obligations of individuals whose ability to repay is diminished as a result of going on active military duty. While you are on active duty, creditors are limited in their ability to start legal proceedings against you to collect payments for any debt you incurred prior to your active duty.

ACTIVE DUTY

Your military orders will designate the type of duty being performed. Active duty includes certain training activities, such as initial active duty (boot camp). You must provide proof of active duty status to the creditor.

INTEREST RATE REDUCTION ON LOANS

The SCRA provides for a maximum annual interest rate of six percent during your time of active duty on obligations incurred before you entered active service. For mortgage loans, the interest rate reduction extends for one year after the end of active duty status. To receive the reduction, you must provide written notice to the creditor of your request for the rate reduction and a copy of your military orders. You have up to 180 days after your termination or release from active military service to claim a rate reduction. The creditor must re-amortize the debt and lower the payments. Creditors may not keep the payment amount the same and shorten the maturity of the loan. The six percent limitation is effective from the date your active duty begins, not the date that you notify your creditor.

The interest rate provision of the Act applies only to debts incurred **prior** to your active duty in the military. **Debts incurred after you enter the service (including loan extensions and advances, i.e. credit card purchases you make during active duty) are not subject to the protections of the Act.**

Creditors are not required to adjust the interest rates in every situation, even when the debt is incurred prior to active duty. For example, student loans are not affected, but creditors

may elect to lower the payments. Also, the SCRA only applies if your ability to repay is materially affected by entry into active duty. For example, a commercial airline pilot is likely to lose a great deal of income upon being called to active duty, while someone with a lower salary might not be materially affected.

OTHERS PROTECTED BY SCRA

• Dependents

SCRA also provides relief for military dependents who are materially affected by the active duty. Your dependents may also be entitled to relief from certain actions, such as eviction and foreclosure proceedings.

• Guarantors and Cosigners

If you have a loan with a cosigner, guarantor, or endorser, the creditor cannot collect from the guarantors instead of lowering the rate to six percent.

OTHER PROTECTIONS OF SCRA

A creditor cannot report your rate reduction request as negative information to a consumer reporting agency, or otherwise retaliate against you for exercising your rights under the SCRA.

You must continue to make payments during active duty. If you become delinquent on an obligation, the creditor may report it.

AFTER ACTIVE DUTY

After your active duty, the creditor may raise the interest rate back to the original contractual level. For mortgage loans, the creditor can not raise the interest rate until one year after active duty service ends. You may apply to the court for an extension of time to repay.

This is just a brief overview of your rights and responsibilities under SCRA. For more detailed information, please contact the personnel office at your military base.