



U.S. Department of Justice Civil Rights Division SCRA Enforcement Highlights

The Servicemembers Civil Relief Act (SCRA) eases financial burdens on servicemembers by providing relief from credit obligations and court proceedings while they are on active duty. The SCRA postpones, suspends, terminates, or reduces the amount of certain civil obligations – including interest rates – for members of the armed forces. The SCRA’s protections aim to help servicemembers focus their full attention on their military or professional responsibilities without adverse consequences for themselves or their families.

- ***United States v. Sallie Mae, Inc.***: In May 2015, the Division announced that, on June 12, 2015, 77,795 servicemembers would begin receiving \$60 million in compensation for having been charged excess interest on their student loans by Navient Corp., the student loan servicer formerly part of Sallie Mae. This is the federal government’s first lawsuit against owners and servicers of student loans for violating the rights of servicemembers under the SCRA. The United States’ complaint alleged that the defendants failed to provide members of the military the six percent interest rate cap to which they were entitled, effectively charging excessive rates to members of the U.S. military. The settlement, which was approved by the court in September 2014, in addition to requiring the payment of \$60 million to compensate servicemembers, has also led the Department of Education to streamline the process under which servicemembers can obtain the interest rate benefit for their government-owned and guaranteed student loans.
- ***United States v. Santander Consumer USA, Inc.***: In February 2015, the Division announced the federal government’s largest ever settlement for illegal automobile repossessions under the SCRA. Under the consent order, Santander is required to pay over \$10 million to over 1,100 SCRA-protected servicemembers whose motor vehicles were repossessed unlawfully between January 2008 and February 2015. In each case, Santander either physically repossessed the vehicle without obtaining a court order or sought to collect fees arising from a repossession that an unrelated motor vehicle lender had conducted before Santander acquired the loan.
- ***United States v. Horoy, Inc. d/b/a/ Across Town Movers***: In May 2015, the Division announced the federal government’s first settlement with a storage company for unlawfully auctioning off servicemembers’ stored goods without obtaining court orders, as required by the SCRA. The consent order requires the defendants to pay \$169,900 in damages to a Master Chief Petty Officer and nine other servicemembers. The order also requires defendants to check the Defense Department’s military database and their own files to see if the customer is protected by the SCRA before auctioning off anyone’s goods. In cases where the customer is an SCRA-protected servicemember, the defendants are not permitted to conduct an auction without first obtaining a court order. If that order is a default judgment, it must be issued only after defendants file a proper affidavit informing the court of the servicemember’s active duty status.

- ***National Mortgage Settlement (“NMS”)***: In February 2015, the Division announced that, in the first wave of SCRA payments to go out under the National Mortgage Settlement (NMS), 952 servicemembers and their co-borrowers are eligible to receive over \$123 million for non-judicial foreclosures. In September, the Justice Department announced that an additional 1,461 service members and their co-borrowers are eligible to receive over \$186 million for home foreclosures under the department’s settlements with five of the nation’s largest mortgage servicers. Together with the foreclosure-related compensation announced by the department in February, a total of 2,413 service members and their co-borrowers are eligible to receive over \$311 million. The five mortgage servicers are JP Morgan Chase Bank N.A. (JP Morgan Chase); Wells Fargo Bank N.A. and Wells Fargo & Co. (Wells Fargo); Citi Residential Lending Inc., Citibank, NA and CitiMortgage Inc. (Citi); GMAC Mortgage LLC, Ally Financial Inc. and Residential Capital LLC (GMAC Mortgage); and Bank of America N.A., Countrywide Home Loans Inc., Countrywide Financial Corp., Countrywide Home Loans Servicing L.P. and BAC Home Loans Servicing L.P. (Bank of America).

The compensation results from the SCRA portion of the 2012 settlement known as the National Mortgage Settlement (NMS) and an earlier settlement with Bank of America, for foreclosures that took place between Jan. 1, 2006, and Apr. 4, 2012, where the servicer obtained a foreclosure without a judicial proceeding or where the servicer obtained a default foreclosure judgment without filing a proper affidavit with the court stating that the service member was in military service.

The joint federal-state agreement also includes expanded protections for servicemembers. The SCRA prohibits foreclosures on servicemembers without court orders on mortgages that were originated before military service began. The settlement extends this protection to all servicemembers, regardless of when their mortgage was secured, if they were receiving Hostile Fire/Imminent Danger Pay and were stationed away from their home within nine months of the foreclosure. The agreement requires all five servicers to provide certain servicemembers who are forced to move because of Permanent Change in Station (PCS) orders access to loan modifications without going into default or, in the event that they must sell their home at a loss, but are ineligible for funding from the Department of Defense’s Homeowners’ Assistance Program (HAP), with short sale agreements and mandatory deficiency waivers. On the servicemember relief, the Department worked closely with the Delaware Attorney General’s Office, who led the servicemember negotiations on behalf of the state attorneys general.

- ***United States v. Capital One, N.A.***: In July 2012, the Division reached a comprehensive settlement with Capital One, N.A. and Capital One Bank. Under the settlement, the defendants have paid over \$12 million in damages to servicemembers for violations including excess interest rates and wrongful foreclosures, repossessions of motor vehicles, and court judgments. The company has also paid over \$2 million to military relief societies under the settlement.