On July 29, the CFPB and DOJ issued a joint letter to the auto lending and leasing industry reminding auto companies of their obligations under the Servicemembers Civil Relief Act (SCRA). The SCRA affords special protections to servicemembers and their dependents against unfair or predatory practices by auto lenders, including:

- **Limits on vehicle repossession**: during a borrower’s military service, an auto lender is required to obtain a court order before attempting to repossess a financed vehicle.

- **Early lease terminations**: servicemembers can opt for early termination of auto leases without penalty while in military service or receiving military order for a permanent change in station or deployment elsewhere. This includes the right to a refund of all lease amounts paid in advance.
• **Interest rate protections**: interest rates on loans issued before military service are capped at 6% under the SCRA, and if properly requested, lenders must forgive any interest greater than 6% per year.

According to CFPB research, servicemembers are vulnerable to predatory practices given their need for transportation while living on a military base, financial inexperience as young adults, and steady paychecks through the military. To this end, the SCRA places the burden on auto lenders to ensure servicemembers are protected. For example, lenders must take proactive steps to identify whether a borrower is SCRA-protected, as servicemembers are not required to notify the lender of their military status. As such, auto lenders should carefully review the joint letter and SCRA provisions to ensure compliance.

**Putting It Into Practice:** The issuance of this letter should serve as a cue to auto lenders to review their lending practices and procedures for compliance with the SCRA and other consumer protection laws. As indicated in the joint letter, auto finance companies have the burden of identifying whether a borrower is protected by the SCRA, as servicemembers are not required to give notice of military status to receive this protection. Auto lenders should review their lending practices and policies with experienced attorneys to ensure they are in compliance.

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