



Proactive Servicemembers Civil Relief Act (SCRA) Activities

November 2018

Servicemembers Civil Relief Act (SCRA) protections and benefits are high risk areas for financial services companies. Regulators continue to enforce the rights of servicemembers through informal and formal enforcement actions, civil money penalties, remediation for customer harm, credit repair of affected servicemembers, and necessary enhanced risk and control measures.

Alvarez & Marsal's (A&M) Financial Industry Advisory Services (FIAS) practice has a distinctive history of providing preventive, remedial advisory and implementation services for its clients. Our strong partnerships with clients provide proactive self-identification of issues and successful mitigation of SCRA risk. We have completed SCRA risk reviews and remediation activities with regional, super-regional and the top four U.S. banks, each resulting in favorable regulatory outcomes and significant cost avoidance.

Who and What is Protected?

The SCRA provides benefits and protections for members of the United States Army, Navy, Air Force, Marine Corps and Coast Guard. The SCRA also protects members of the National Guard and reservists as well as commissioned officers of the Public Health Service and the National Oceanic and Atmospheric Administration. Certain SCRA benefits and protections are also extended to servicemembers' spouses, dependents, and other persons subject to the financial obligations of servicemembers.

Major benefits and protections of the Act include:

- Maximum rate of interest on specific debts incurred;
- Foreclosures; and
- Repossessions.



What are the Key Risks of Noncompliance and Areas of Regulatory Focus?

Although regulatory and operational risks are high, the greatest risk is reputational. Given harmed servicemembers and their families have multiple outlets from the military to the media to elevate their concerns, compliance with SCRA should be a top priority for all financial services institutions. Proactive SCRA risk management is a prudent investment as reputational damages are costly and difficult to repair.

Compliance with SCRA requirements dictates an effective regulatory and operational risk management infrastructure designed to mitigate the inherent risks associated with the Act.

Based on our industry experience, areas of regulatory focus include:

- Strong processes and controls to ensure accuracy of internal bank tracking systems, including appropriate benefit coverage periods;
- Timely and frequent Defense Manpower Data Center checkpoints prior to repossession or foreclosure;
- Effective vendor management programs for attorney networks and loans serviced by others;
- Strong complaint tracking and management processes that directly tie to issues resolution management and validation; and
- Sound reimbursement tools that accurately calculate compensation amounts.

Why A&M Financial Industry Advisory Services (FIAS)?

Each client's needs are unique based on their specific business and operational models, and our solutions are tailored to accommodate the individual needs of each client. Our FIAS personnel are former financial institution regulators, seasoned bank executives and former military members, who thoroughly understand the operational and regulatory implications associated with the Act. Our hands-on approach includes comprehensive risk reviews designed to provide sound risk and control assessments, execution of recommendations, and, if necessary, remediation services.

Comprehensive Risk and Control Assessment. Our FIAS teams evaluate inherent risks, assess the strength of controls, and calculate residual risks, providing insight into areas for improvement and potential efficiencies. We deliver our risk assessment results along with recommended enhancements. These independent, third-party assessments provide clients with action plans designed to strengthen internal controls, mitigate residual risks and successfully prepare for regulatory examinations.

Execution of Recommendations. A&M FIAS works directly with clients' internal compliance and operational executives and their staffs to operationalize recommendations. The group partners with clients to map and modify business processes; writes enhanced policies, programs and procedures; implements enhanced controls; automates processes and systemic controls; and trains members of the Board of Directors, executives, and staff in the new processes. Additionally, we evaluate the effectiveness of vendor risk management structures, assesses change control and issues management processes and reviews quality assurance and quality control programs.



Why Alvarez & Marsal Financial Industry Advisory Services? (continued)

Remediation Services. Our FIAS team is experienced with successfully addressing remediation orders and regulatory criticism. We perform look-backs based on file reviews, assist in calculating and validating reimbursements, and create customer compensation monitoring and reporting. Our customized reports are instrumental in demonstrating sustainable processes and gaining regulatory approval.

Conclusion

Successfully managing the nuances of complying with the SCRA requires a seasoned team with the right level of experience. A&M has a dedicated Financial Services team with hundreds of years of collective experience working in the financial services industry and/or for government agencies, including the Office of the Comptroller of the Currency (OCC), Federal Reserve Board (FRB), and Federal Deposit Insurance Corporation (FDIC). Our senior professionals have an average of 25+ years of experience and thoroughly understand how to solve problems in a timely and efficient manner.

Please contact us for a confidential SCRA risk review consultation.

CONNECT WITH THE AUTHOR



Joseph Sequeira

Senior Director, Charlotte

+1 704 208 3214

jsequeira@alvarezandmarsal.com

ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to make change and achieve results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services.

Follow A&M on:



With over 3000 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, help organizations transform operations, catapult growth and accelerate results through decisive action. Comprised of experienced operators, world-class consultants, former regulators and industry authorities, A&M leverages its restructuring heritage to turn change into a strategic business asset, manage risk and unlock value at every stage of growth.