

The Military Family Protection from Debt Act

Rep. Andy Kim (NJ-03)

Endorsements: Enlisted Association of the National Guard of the United States (EANGUS),
Fleet Reserve Association

The Issue:

For members of the armed forces that have car, home, student loans or have credit card or other types of debt prior to joining the military, the Servicemembers Civil Relief Act (SCRA) provides protection by capping the interest rate on these loans to a maximum of six percent per year. However, debt taken out by a family isn't solely the responsibility of the servicemember that is being activated – for example, many car loans may be in the name of a spouse or dependent, or a home loan may be jointly shared with a spouse.

Data from the Status of Forces Survey (SOFS) tells us that more than 25% of active servicemembers and almost a third of Reserve Component servicemembers have difficulty making ends meet. A little over one-third of servicemembers report having zero or less than one month of emergency savings and nearly one-fifth of members spend all or more of their income on a monthly basis.¹ Service should not be a burden on any military family, and a family that is sacrificing for our country does not deserve to live trapped in debt because of artificially high interest rates.

Protecting Military Families:

To provide military families with the peace of mind they deserve when their family member is called to active-duty status, the Military Family Protection from Debt Act would expand SCRA's debt protections to include debt held by the dependents of Reserve Component members. That means that any debt a military spouse or child may hold would be capped at six percent during their servicemembers time on deployment.

This will help reduce interest rates on pre-service loans for the families of active servicemembers and ease any financial burdens while their servicemember is deployed. Military families sacrifice alongside our servicemembers when on deployment, and Congress should provide them with any protections they need to be able to keep food on the table and a roof over their head.

This issue has been noted as a priority by the Chief of the Army Reserves and is being pursued in the FY23 National Defense Authorization Act (NDAA) by Congressman Kim.

¹ DOD, *Department of Defense Annual Report on the Financial Literacy and Preparedness of Members of the Armed Forces*, December 2020, p.9