

Reducing Your Interest Rates

Do you have a debt bearing interest charges you incurred before you enlisted? Are you having trouble paying it off? You may be able to reduce the interest rate on a pre-service loan to 6% retroactive to the date you entered active duty. This interest rate limit is a tremendous benefit provided by one of the provisions of the Servicemembers Civil Relief Act (SCRA).

Creditors must reduce the interest rate on debts to 6% for liabilities Servicemembers have incurred **before** going on active duty. The reduced interest rate applies to mortgages, credit card debts, car loans, business obligations, some student loans* and other debts, as well as, fees and service charges. If the debt is a mortgage, the reduced rate extends for one year after active-military service. However, this protection does not apply to federally guaranteed student loans.

What makes the interest rate cap section of the SCRA different from other benefits Servicemembers receive is that the law states that a Servicemember **must request** the interest rate reduction. No such requests are necessary for other protections.

Requesting a Reduction of Your Interest Rate:

- Make sure the debt is covered under this provision of the SCRA.
- Write a letter requesting that the reduced interest rate be applied to your account.
- Include a copy of your active duty orders. Your enlistment contract is not sufficient.
- Send the letter by certified mail.
- Keep a copy of your letter and the mail receipt for your files.
- If your request is ignored or denied, seek legal assistance from our office.

If you need further assistance with this matter, visit our office in Building 358, Presidio of Monterey, Monterey, CA or call (831) 242-5083/5084 to schedule an appointment.

SAMPLE LETTER

Date

Creditor's Name
Street Address
City, State Zip Code

RE: Rank and Full Name's Financial Obligation - Account #

To whom it may concern:

Pursuant to the Servicemembers' Civil Relief Act ("SCRA") 50 U.S.C. App. Section 527, this letter is my formal written request to reduce the rate of interest to six percent (6.0%) for the above referenced account.

I am currently serving on active duty with the Armed Forces. I entered active duty on _____ (Date), which was after the time I incurred the above referenced debt. The SCRA establishes a six percent (6.0%) per annum ceiling on interest during the period of a servicemember's military service. This reduced rate became effective upon my entry to active duty and shall be applied retroactively to the date of my entry to active duty.

Under the SCRA, any interest in excess of 6.0% per year shall be forgiven. Additionally, any payments shall be reduced by the amount of interest forgiven which is allocable to the period of such payment.

Please find the copy of my orders to active duty.

If you have any questions or concerns, you may contact me at the address listed below.

Respectfully,

(Signature)
Name
Street Address
City, State Zip Code

Attachment:
Orders