

6% CAP ON LOAN INTEREST

Possible for

ACTIVATED RESERVISTS

&

NEW SERVICE MEMBERS

If you are paying more than 6% interest on debts incurred before entry on active duty, you may qualify to have your interest rate reduced to 6%. To qualify, two conditions must be present:

1. The debt or obligation (excluding Student Loans) must have been incurred prior to the service member coming on active duty; and
2. The service member must show that his or her ability to pay such debt or obligation has been materially affected by reason of military service (i.e., reduced income as a result of military service).

If both of the above conditions are present, you qualify for the protection of the Servicemembers' Civil Relief Act (SCRA). This newly updated federal statute requires the creditor to reduce your interest rate to 6% for the period of your military service unless the creditor can prove in court that your ability to pay the higher interest rate is not "materially affected" by your military service. This protection begins on the date of entering active duty service and generally terminates within 30 to 90 days and in certain cases for up to six months after release from active duty.

The interest over 6% must be forgiven, not just deferred and your monthly payments must be reduced by the reduction in the interest rate.

If you are unsure of whether you qualify for the SSCRA interest rate cap at 6%, call your Consolidated Legal Assistance Office in Building 66 at 451-1903 to get information about seeing an attorney. If you are confident that you do qualify for the rate cap, see reverse side of this paper for a sample letter to your creditor requesting reduction of your interest rate.

(OVER)

SAMPLE LETTER

DATE

NAME OF CREDITOR
ADDRESS
CITY, STATE, ZIP

RE: YOUR NAME AS IT APPEARS ON YOUR STATEMENT, ACCOUNT NO.

Dear Sir on Madam:

This letter is to advise you that I have been ordered to active duty service with the United States Armed Forces. As a result of my military service, I have lost my civilian employment income. I incurred the above referenced debt prior to entry on active duty. My entry into military service has substantially affected my ability to make the payments that I agreed to make while a civilian.

I entered active duty on _____(date), and am presently on active duty assigned to _____(unit). The Servicemembers' Civil Relief Act of 2003, 50 U.S.C. Appendix, Section 527, sets a six percent (6%) per annum ceiling on interest charges (including service charges, renewal charges and fees) during the period of a servicemember's military service for obligations made prior to the date of entry onto active duty when the active duty materially affects the ability to pay.

Since entering active duty, I have experienced a decrease in salary, adversely affecting my ability to pay. Thus, I am requesting an adjustment of this account to reflect the statutory six percent (6%) rate. This rate became effective upon my entry to active duty on _____(date). Please ensure that your records reflect this statutory ceiling and that any excess charge is withdrawn. The interest over 6% must be forgiven, not just deferred and my monthly payments must be reduced by the reduction in the interest rate.

Please contact me at _____(phone or address) with a revised payment schedule. Thank you for your understanding and support in this matter.

Sincerely,

John Doe
PFC, USMC

**** ENCLOSE A COPY OF YOUR CURRENT LEAVE AND EARNINGS STATEMENT (LES) AND A COPY OF YOUR ORDERS THAT (1) ACTIVATED YOU AS A RESERVIST OR (2) BROUGHT YOU FROM CIVILIAN LIFE TO BOOT CAMP**