

**SERVICEMEMBERS CIVIL RELIEF ACT (SCRA)  
MAXIMUM RATE OF INTREST ON DEBTS**

D11 Legal Assistance Office  
Bldg. 54A Coast Guard Island  
Alameda, California 94501  
(510) 437-5891

A recent *Times* news article mentioned the Servicemembers Civil Relief Act (SCRA) in a partial discussion of the provisions of 50 United States Code Appendix Section 527. This section of the SCRA regulates the maximum interest rate on **pre-active duty service** loans when the service member is "...materially affected by reason of such service..."

You may be entitled to have the interest rate on some of your loans reduced to 6% for the time you are on active duty<sup>1</sup>. Please contact our office if you opened the loan during a time when you were **not** on any form of **active duty** in any branch of the uniformed services, and

- a) Your interest rate is currently above 6% per year, and
- b) **Your military service materially affects your ability to pay the loan at the regular (pre-service) interest rate.** Generally, this requirement means that you make less money on active duty, including your non-taxable BAH and other entitlements, than you made from all sources of income as a civilian. There are some special legal issues here - you may want to talk to your Legal Assistance Attorney about your entire financial situation.

If you qualify we will either draft a letter on your behalf or provide you with a sample letter to complete and forward to your creditors to start your SCRA protection.

***There is no authority that requires your lender to postpone or defer your payments while you are on active duty.***

If your lender voluntarily postpones your payment, then you must carefully consider, how you will makeup those payments at the end of the agreed upon period. You **do not** want to force a foreclosure situation, because you postponed your payments and are unable to pay. Use caution before you precede with a financial agreement you may not be able to honor.

**Student Loans:** While the SCRA "6% protection" is not available for holders of FFLEP's (guaranteed student loans, formerly called GSL's), the Dept. of Education (DE) will permit lenders to forbear or to defer payments upon approval. For more information regarding tuition and student loans, see [www.ifap.ed.gov](http://www.ifap.ed.gov).

If you have additional questions regarding this issue please call the D11 Legal Assistance Office at (510) 437-5891 and schedule an appointment with an Attorney.

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<sup>1</sup> ***Guaranteed student loans are not subject to this 6% protection***