

Sample Letter to Creditor
Reduction of Interest Rate

[return address of service member]

[Date]

CERTIFIED MAIL -- RETURN RECEIPT REQUESTED
[CREDITOR ADDRESS]

Dear **[Sir or Madam]**:

I am currently obligated to your company for a loan bearing an interest rate of **[%]**. This obligation was entered into on **[DATE]**, at a time when I was not on active military duty.

I have now entered [or been notified that I will enter] the active military service of the nation in the U.S. **[SERVICE]** on **[DATE]**. A copy of my orders is enclosed. This entry into active military service has materially affected my ability to meet this obligation. Under these circumstances, federal law prescribes the maximum interest rate which I may be charged on this obligation.

The Service Member's Civil Relief Act (50 U.S.C. App. §526) prescribes a ceiling of 6% annual interest on any obligation under the circumstances described above. This interest rate must be maintained for the entire period that I am on active duty. The percentage cap includes all interest, service charges, renewal charges, and fees. The rate is applied to the outstanding balance of the obligation as of the date of entry onto active duty mentioned above. Any interest charge above this statutory ceiling must be forgiven, not accrued. The monthly payment on the obligation must be re-computed to reflect amortization at the 6% per annum rate of interest.

Please ensure that your records reflect this statutory ceiling and that any charges in excess of a 6% annual rate are withdrawn. You should also be aware that federal law (50 U.S.C. App. §531) circumscribes the manner in which you may enforce certain rights under the contract, including any right to repossession of property.

I thank you in advance for your attention to this matter. Should there be any questions, please feel free to contact me at the address above.

Sincerely,

[Service member's name, rank and branch of service]