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## **Interest Rate Cap After Mobilization**

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Q: I have recently been called to Active Duty as an E-4, and that has resulted in a huge pay cut. Even before mobilization, I had managed to get myself into a financial pickle--\$25,000 in credit card debt, with interest rates of 20 percent or more. A Navy legal assistance attorney sent letters to each of the credit card issuers, and each has reduced the interest rate to 6 percent. The attorney informed me, and the creditors, that the Soldiers' and Sailors' Civil Relief Act (SSCRA) required this step because my ability to meet my financial obligations was "materially affected" by my call to Active Duty. The mobilization caused my financial situation to go from bad to worse.

My question is about what happens to the difference between 6 percent and 20 percent or more. Is the difference forgiven, or is it just deferred?

A: Good news! The newly enacted Servicemembers' Civil Relief Act [Public Law 108-189, 117 Stat. 2835] has rewritten the SSCRA, with several major improvements. One of those improvements is directly applicable to your situation.

The SSCRA provision was somewhat ambiguous, and some lenders argued that the difference in rates was merely deferred, not forgiven. Although the courts generally rejected that argument, it is fortunate that the new law explicitly provides that the difference is forgiven.

Whatever payments you make, during your period of service, will be applied to principal and interest at the 6 percent rate, not the contractual rate. That should give you the opportunity to reduce the balances, or at least to keep them from rising still further. When you leave active duty, the interest rates will revert to the contractual rates, but the creditor is not permitted to raise the rate even further, or extend the number of payments, to make up for the forgiven interest.

I also invite your attention to Law Review 92 ("Going on the Offensive Using Section 590 of the SSCRA"), by Colonel John S. Odom Jr., USAFR. That SSCRA section has been carried over into the new law. You should seek legal advice and financial counseling.

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