When a homeowner entered into a mortgage loan prior to become active duty military, federal law requires that the homeowner while on active duty and for one year thereafter shall not pay an interest rate exceeding 6%. This includes any fees or other charges payable on the loan (late charges, for example). Any interest that you have been paying over 6% is eliminated while you are on active duty and for another year—the excess interest is not just put off until later.

If you are paying more than 6%, you not only can get your rate reduced, but the lender has to give you a credit for any interest charged to you above that rate while you were on active duty. One year after you leave active duty, the rate can be increased to the old rate.

To take advantage of this law, you must provide the lender or other creditor with written notice including a copy of the orders calling you to military service and any orders extending active duty. This must be done no later than 180 days after the date of the termination of military service. The interest rate reduction is then retroactive to the date active duty began.

Source: National Consumer Law Center, Surviving Debt [50th NCLC Anniversary Edition], updated at www.nclc.org/library
Source URL: https://library.nclc.org/sd/1607