

Consumer Lending Update

MAY 2019

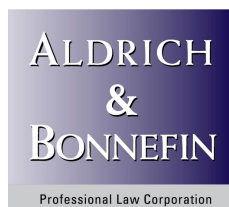
INTEREST RATE LIMITATIONS: SERVICEMEMBERS

Question: What types of loans does California's interest rate limitations for servicemembers apply to? How long do those limitations apply?

Answer: Similar to the federal Servicemembers Civil Relief Act, the California Military and Veterans Code (MVC) contains interest rate limitations. Those limitations apply to all active members of the armed forces who live in California and who are called or ordered into active duty by either the federal government or the California governor. Among other things, California law prohibits lenders from charging an interest rate in excess of six percent per year on any obligation or liability that is incurred by a servicemember before the servicemember's current period of military service. MVC Section 405(a).

The interest rate limitation's duration depends on the loan at issue. For mortgages, trust deeds or other similar secured debt or, effective January 1, 2019, any student loan, the prohibition extends to one year after the period of military service.

For any other obligation, the interest rate prohibition applies during the period of military service and, effective January 1, 2019, for 120 days thereafter.



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