

Arkansas Statutes (Interest and Usury)

§ 4-57-101. Calculation

(a) Whenever in any statute, deed, written or verbal contract, or in any public or private instrument whatever, any certain interest is or may be mentioned, and no period of time is stated for the rate of interest to be calculated, interest shall be calculated at the rate mentioned by the year, in the same manner as if the words “per annum” or “by the year” had been added to the rate.

(b)(1) For the purpose of calculating interest, a month shall be considered the twelfth part of a year, and as consisting of thirty (30) days.

(2) Interest for any number of days less than a month shall be estimated by the proportion which the number of days shall bear to thirty (30).

(c)(1)(A)(i) In calculating interest for a partial payment that is made on a consumer loan, the interest shall be calculated to the time when the partial payment was made, and the partial payment shall first be applied to the payment of the interest.

(ii) If the partial payment exceeds the interest due on a consumer loan, the balance of the partial payment shall be applied to reduce the principal of the debt.

(B) The method for calculating interest and applying payments under subdivision (c)(1)(A) of this section shall apply to all subsequent payments.

(2) Interest shall not be added to the principal balance of a consumer loan if a payment falls short of paying the interest due.

(3) Subdivisions (c)(1) and (2) of this section do not apply to commercial credit, including without limitation commercial real estate financing transactions.

(4) As used in this subsection, “consumer loan” means an extension of credit for personal, family, or household purposes but does not include credit card debt, open account debt, or installment loans.

(d) The rate of interest under a contract in which a rate of interest is not specified is six percent (6%) per annum.

Credits

Acts of 2013, Act 1214, § 1, eff. Aug. 16, 2013; Acts of 2013, Act 1223, § 1, eff. Aug. 16, 2013.

§ 4-57-102. Reservation or discounting of interest permitted

It is lawful for a party to loan money in this state by reserving or discounting interest upon commercial paper, mortgages, or other securities for any period authorized by a rule or regulation of the Federal Housing Administration or its successor or for a period of at least

thirty-six (36) months, whichever is greater, at any rate of interest agreed upon by the parties not to exceed the applicable rate of interest, if any, prescribed by Arkansas Constitution, Amendment 89, whether the papers or securities for principal or interest are payable in this state, or in any other state, territory, kingdom, or country.

Credits

Acts of 1868, Act 9, § 7, p. 32; Acts of 1875, Act 56, § 5, p. 145; Acts of 1895, Act 150, § 1, p. 235; Acts of 1953, Act 330, § 1; Acts of 1961, Act 71, § 1; Acts of 2013, Act 1124, § 2, eff. Aug. 16, 2013.

§ 4-57-103. Statement of principal and interest

(a) Upon written request of the borrower or debtor, any seller, lender, or any other person, corporation, or legal entity extending credit in this state shall furnish the borrower or debtor at the time of extending credit or of making the sale with a statement separately stating the principal and interest charged for any goods, property, or services sold to the borrower or debtor.

(b)(1) Any creditor willfully refusing to furnish the statement of principal and interest as required in this section or who upon furnishing the statement of principal and interest to the borrower or debtor fraudulently misrepresents the amount of principal or interest paid shall be guilty of a violation and upon conviction shall be subject to a fine of not less than fifty dollars (\$50.00) nor more than five hundred dollars (\$500).

(2) Each violation of this section shall constitute a separate offense.

Credits

Acts of 1969, Act 259, §§ 1, 2; Acts of 2005, Act 1994, § 37, eff. Aug. 12, 2005.

§ 4-57-104. Maximum rate of interest permitted

The parties to a contract may agree in writing to the payment of interest not exceeding the applicable rate of interest, if any, set forth in Arkansas Constitution, Amendment 89, on money due or to become due.

Credits

Acts of 1875, Act 56, § 1, p. 145; Acts of 2013, Act 1124, § 3, eff. Aug. 16, 2013.

§ 4-57-105. Greater rate

No person or corporation shall, directly or indirectly, take or receive in money, goods, things in action, or any other valuable thing, any greater sum or value for the loan or forbearance of money or goods, things in action, or any other valuable thing, than is prescribed in § 4-57-104.

Credits

Acts of 1875, Act 56, § 2, p. 145.

§ 4-57-109. Consumer lawsuit lending

(a) As used in this section:

(1) “Consumer” means an individual who is or may become a plaintiff or claimant in a dispute;

(2) “Consumer lawsuit lender” means an individual or entity that engages in consumer lawsuit lending;

(3) “Consumer lawsuit lending” means:

(A) Providing money to a consumer to use for any purpose other than prosecuting the consumer’s dispute, the repayment of which is conditioned upon and sourced from the consumer’s proceeds from the outcome of the dispute by judgment, settlement, or otherwise; and

(B) Purchasing from a consumer a contingent right to receive a share of the proceeds of the consumer’s dispute by judgment, settlement, or otherwise; and

(4) “Dispute” means:

(A) A civil action;

(B) An alternative dispute resolution proceeding; or

(C) An administrative proceeding before an agency or instrumentality of the government of this state.

(b)(1) The maximum rate of interest provided by § 4-57-104 applies to a consumer lawsuit lending transaction.

(2) Any amount paid or payable to a consumer lawsuit lender under a consumer lawsuit lending transaction that exceeds the amount provided by the consumer lawsuit lender to the consumer in connection with a consumer’s dispute shall be included as interest for purposes of § 4-57-104.

(c) A contract or agreement governing a consumer lawsuit lending transaction shall:

(1) Be in writing; and

(2)(A) Prominently disclose the annual percentage rate applicable to the consumer lawsuit lending transaction.

(B) The annual percentage rate shall be included in bold, 20-point type and Arial font surrounded by a black rectangle border of line weight one point five (1.5), as follows:

" **APR . %** "

(d) A violation of this section is:

- (1) A deceptive and unconscionable trade practice under § 4-88-107; and
- (2) Subject to the penalties, remedies, and enforcement provided by § 4-88-101 et seq.

Credits

Acts of 2015, Act 915, § 1, eff. July 22, 2015; Acts of 2017, Act 261, § 1, eff. Aug. 1, 2017.