

Cal.Const. Art. 15, § 1 § 1. Interest

rates

Section 1. The rate of interest upon the loan or forbearance of any money, goods, or things in action, or on accounts after demand, shall be 7 percent per annum but it shall be competent for the parties to any loan or forbearance of any money, goods or things in action to contract in writing for a rate of interest:

(1) For any loan or forbearance of any money, goods, or things in action, if the money, goods, or things in action are for use primarily for personal, family, or household purposes, at a rate not exceeding 10 percent per annum; provided, however, that any loan or forbearance of any money, goods or things in action the proceeds of which are used primarily for the purchase, construction or improvement of real property shall not be deemed to be a use primarily for personal, family or household purposes; or

(2) For any loan or forbearance of any money, goods, or things in action for any use other than specified in paragraph (1), at a rate not exceeding the higher of (a) 10 percent per annum or (b) 5 percent per annum plus the rate prevailing on the 25th day of the month preceding the earlier of (i) the date of execution of the contract to make the loan or forbearance, or (ii) the date of making the loan or forbearance established by the Federal Reserve Bank of San Francisco on advances to member banks under Sections 13 and 13a of the Federal Reserve Act as now in effect or hereafter from time to time amended (or if there is no such single determinable rate of advances, the closest counterpart of such rate as shall be designated by the Superintendent of Banks of the State of California unless some other person or agency is delegated such authority by the Legislature).

No person, association, copartnership or corporation shall by charging any fee, bonus, commission, discount or other compensation receive from a borrower more than the interest authorized by this section upon any loan or forbearance of any money, goods or things in action.

However, none of the above restrictions shall apply to any obligations of, loans made by, or forbearances of, any building and loan association as defined in and which is operated under that certain act known as the "Building and Loan Association Act," approved May 5, 1931, as amended, or to any corporation incorporated in the manner prescribed in and operating under that certain act entitled "An act defining industrial loan companies, providing for their incorporation, powers and supervision," approved May 18, 1917, as amended, or any corporation incorporated in the manner prescribed in and operating under that certain act entitled "An act defining credit unions, providing for their incorporation, powers, management and supervision," approved March 31, 1927, as amended or any duly licensed pawnbroker or personal property broker, or any loans made or arranged by any person licensed as a real estate broker by the State of California and secured in whole or in part by liens on real property, or any bank as defined in and operating under that certain act known as the "Bank Act," approved March 1, 1909, as amended, or any bank created and operating under and pursuant to any laws of this State or of the United States of America or any nonprofit cooperative association organized under Chapter 1 (commencing with [Section 54001](#)) of [Division 20](#)

of the Food and Agricultural Code in loaning or advancing money in connection with any activity mentioned in said title or any corporation, association, syndicate, joint stock company, or partnership engaged exclusively in the business of marketing agricultural, horticultural, viticultural, dairy, live stock, poultry and bee products on a cooperative nonprofit basis in loaning or advancing money to the members thereof or in connection with any such business or any corporation securing money or credit from any federal intermediate credit bank, organized and existing pursuant to the provisions of an act of Congress entitled "Agricultural Credits Act of 1923," as amended in loaning or advancing credit so secured, or any other class of persons authorized by statute, or to any successor in interest to any loan or forbearance exempted under this article, nor shall any such charge of any said exempted classes of persons be considered in any action or for any purpose as increasing or affecting or as connected with the rate of interest hereinbefore fixed. The Legislature may from time to time prescribe the maximum rate per annum of, or provide for the supervision, or the filing of a schedule of, or in any manner fix, regulate or limit, the fees, bonuses, commissions, discounts or other compensation which all or any of the said exempted classes of persons may charge or receive from a borrower in connection with any loan or forbearance of any money, goods or things in action.

The rate of interest upon a judgment rendered in any court of this state shall be set by the Legislature at not more than 10 percent per annum. Such rate may be variable and based upon interest rates charged by federal agencies or economic indicators, or both.

In the absence of the setting of such rate by the Legislature, the rate of interest on any judgment rendered in any court of the state shall be 7 percent per annum.

The provisions of this section shall supersede all provisions of this Constitution and laws enacted thereunder in conflict therewith.

Credits

(Adopted June 8, 1976. Amended June 6, 1978; Nov. 6, 1979.)

§ 1916.1. Constitutional restrictions; application to loans secured by real property; licensed real estate brokers; arrangement of loan or forbearance

The restrictions upon rates of interest contained in [Section 1 of Article XV of the California Constitution](#) shall not apply to any loan or forbearance made or arranged by any person licensed as a real estate broker by the State of California, and secured, directly or collaterally, in whole or in part by liens on real property. For purposes of this section, a loan or forbearance is arranged by a person licensed as a real estate broker when the broker (1) acts for compensation or in expectation of compensation for soliciting, negotiating, or arranging the loan for another, (2) acts for compensation or in expectation of compensation for selling, buying, leasing, exchanging, or negotiating the sale, purchase, lease, or exchange of real property or a business for another and (A) arranges a loan to pay all or any portion of the purchase price of, or of an improvement to, that property or business or (B) arranges a forbearance, extension, or refinancing of any loan in connection with that sale, purchase, lease, exchange of, or an improvement to, real property or a business, or (3) arranges or negotiates for another a forbearance, extension, or refinancing of any loan secured by real property in connection with a past transaction in which the broker had acted for compensation or in expectation of compensation for selling, buying, leasing, exchanging, or negotiating the sale, purchase, lease, or exchange of real property or a business. The term “made or arranged” includes any loan made by a person licensed as a real estate broker as a principal or as an agent for others, and whether or not the person is acting within the course and scope of such license.

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(Added by Stats.1983, c. 307, § 1. Amended by Stats.1985, c. 489, § 1.)

§ 1916-2. Maximum rate of interest; compound interest; effect of contract provisions for excessive interest

No person, company, association or corporation shall directly or indirectly take or receive in money, goods or things in action, or in any other manner whatsoever, any greater sum or any greater value for the loan or forbearance of money, goods or things in action than at the rate of twelve dollars upon one hundred dollars for one year; and in the computation of interest upon any bond, note, or other instrument or agreement, interest shall not be compounded, nor shall the interest thereon be construed to bear interest unless an agreement to that effect is clearly expressed in writing and signed by the party to be charged therewith. Any agreement or contract of any nature in conflict with the provisions of this section shall be null and void as to any agreement or stipulation therein contained to pay interest and no action at law to recover interest in any sum shall be maintained and the debt can not be declared due until the full period of time it was contracted for has elapsed.

Credits

(Initiative Measure, Stats.1919, p. lxxxiii, § 2.)

§ 1916-3. Civil and criminal liability for violations

(a) Every person, company, association or corporation, who for any loan or forbearance of money, goods or things in action shall have paid or delivered any greater sum or value than is allowed to be received under the preceding sections, one and two, may either in person or his or its personal representative, recover in an action at law against the person, company, association or corporation who shall have taken or received the same, or his or its personal representative, treble the amount of the money so paid or value delivered in violation of said sections, providing such action shall be brought within one year after such payment or delivery.

(b) Any person who willfully makes or negotiates, for himself or another, a loan of money, credit, goods, or things in action, and who directly or indirectly charges, contracts for, or receives with respect to any such loan any interest or charge of any nature, the value of which is in excess of that allowed by law, is guilty of loan-sharking, a felony, and is punishable by imprisonment in the state prison for not more than five years or in the county jail for not more than one year. This subdivision shall not apply to any person licensed to make or negotiate, for himself or another, loans of money, credit, goods, or things in action, or expressly exempted from compliance by the laws of this state with respect to such licensure or interest or other charge, or to any agent or employee of such person when acting within the scope of his agency or employment.

Credits

(Initiative Measure, Stats.1919, p. lxxxiii, § 3. Amended by Stats.1970, c. 784, p. 1497, § 1.)

Cal. Fin. Code § 7675, CA FIN § 7675

§ 7675. Exemption; exempt class of persons; foreign savings association and qualified foreign savings association

(a) Pursuant to the authority contained in [Section 1 of Article XV of the California Constitution](#), the restrictions upon rates of interest contained in [Section 1 of Article XV of the California Constitution](#) shall not apply to any obligations of, loans made or arranged by, or forbearances of, an association; a federal association; a qualified foreign savings association; an entity that is a savings and loan holding company; a subsidiary of a savings and loan holding company that is not an association; or a service corporation which is a subsidiary of an association, a federal association, or a qualified foreign savings association. As used in this section, the terms “savings and loan holding company” and “subsidiary” mean a savings and loan holding company or a subsidiary, as defined in Section 10 of the Home Owners Loan Act, as amended ([12 U.S.C. Sec. 1467a](#)), and the term “service corporation” means a service corporation described in Section 5(c)(4)(B) of the Home Owners' Loan Act of 1933 ([12 U.S.C. Sec. 1464](#)), as amended, or [Section 7252](#), or a wholly owned subsidiary referred to in [Section 7300](#).

(b) Subdivision (a) creates and authorizes an exempt class of persons pursuant to [Section 1 of Article XV of the California Constitution](#). Notwithstanding any other provision of law, subdivision (a) does not exempt an association; a federal association; a foreign savings association; a savings and loan holding company, a subsidiary of a savings and loan holding company; a service corporation which is a subsidiary of an association; a federal association, or foreign savings association from complying with all other law and regulations governing the business in which the association, federal association, foreign savings association, savings and loan holding company, subsidiary of a savings and loan holding company, or service corporation which is a subsidiary of an association, a federal association, or a foreign savings association is engaged.

(c) For purposes of this section, “foreign savings association” means a foreign savings association as defined in Chapter 10 (commencing with [Section 10000](#)) or Chapter 10.1 (commencing with [Section 10010](#)) and “qualified foreign savings association” means a foreign savings association that has been authorized to conduct the business of an association in this state by the commissioner.

Credits

(Added by Stats.1983, c. 1091, § 2. Amended by [Stats.1987, c. 1162, § 14.5, eff. Sept. 26, 1987](#); [Stats.1990, c. 1118 \(A.B.3643\), § 46.5.](#))