

LSA-R.S. 9:3500

§ 3500. Rates of legal and conventional interest; usury

A. Interest is either legal or conventional.

B. Legal interest is fixed at the following rates, to wit:

(1) At the rate fixed in [R.S. 13:4202](#) on all sums which are the object of a judicial demand, whence this is called judicial interest; and

(2) On sums discounted at banks at the rate established by their charters.

C. (1) The amount of the conventional interest cannot exceed twelve percent per annum. The same must be fixed in writing; testimonial proof of it is not admitted in any case.

(2) Except in the cases herein provided, if any person shall pay on any contract a higher rate of interest than the above, as discount or otherwise, the same may be sued for and recovered within two years from the time of such payment.

(3)(a) The owner or discounter of any note or bond or other written evidence of debt for the payment of money, payable to order or bearer or by assignment, shall have the right to claim and recover the full amount of such note, bond, or other written evidence of debt and all interest not beyond twelve percent per annum interest that may accrue thereon, notwithstanding that the rate of interest or discount at which the same may be or may have been discounted has been beyond the rate of twelve percent per annum interest or discount.

(b) This provision shall not apply to the banking institutions of this state in operation under existing laws or to a consumer credit transaction as defined by the Louisiana Consumer Credit Law.

(4)(a) The owner of any promissory note, bond, or other written evidence of debt for the payment of money to order or bearer or transferable by assignment shall have the right to collect the whole amount of such promissory note, bond, or other written evidence of debt for the payment of money, notwithstanding such promissory note, bond, or other written evidence of debt for the payment of money may include a greater rate of interest or discount than twelve percent per annum; such obligation shall not bear more than twelve percent per annum after maturity until paid.

(b) This provision shall not apply to a consumer credit transaction as defined by the Louisiana Consumer Credit Law.

(c) Where usury is a defense to a suit on a promissory note or other contract of similar character, it is permissible for the defendant to show the usury whether same was given by way of discount or otherwise, by any competent evidence.

D. The provisions of this Article shall not apply to a loan made for commercial or business purposes or deferring payment of an obligation for commercial or business purposes.

Credits

[C.C. art. 2924](#). Amended by Acts 1908, No. 68, § 1; Acts 1970, No. 315, § 1; Acts 1972, No. 454, § 9, eff. Jan. 1, 1973; Acts 1980, No. 402, § 2; Acts 1981, No. 574, § 1; Acts 1981, No. 639, § 1; Acts 1982, No. 142, § 1, eff. July 12, 1982; Acts 1984, No. 458, § 1; [Acts 1987, No. 883, § 1](#); [Acts 1989, No. 52, § 1](#); [Acts 1989, No. 774, § 1, eff. July 9, 1989](#); [Acts 1992, No. 1090, § 1, eff. Oct. 1, 1992](#); Acts 1997, No. 275, § 1, eff. June 17, 1997; Acts 1997, No. 1476, § 2, eff. Sept. 6, 1998. Redesignated from [C.C. art. 2924](#) by [Acts 2004, No. 743, § 2, eff. Jan. 1, 2005](#).

LSA-R.S. 9:3501

§ 3501. Forfeiture of interest

Any contract for the payment of interest in excess of that authorized by law shall result in the forfeiture of the entire interest so contracted.

LSA-R.S. 9:3504

§ 3504. Certain types of transactions exempt from the application of the laws on usury and interest upon interest; adjustable rate mortgage loan

A. Notwithstanding any other law to the contrary, particularly but not exclusively [R.S. 9:3500](#), an obligation secured directly or indirectly, in whole or in part, by a mortgage on immovable property and guaranteed by the Veterans Administration pursuant to the provisions of [Public Law 85-857](#),¹ including any amendments or supplements thereto, or insured by the Federal Housing Administration pursuant to the provisions of Subchapter II of Chapter 13 of Title 12 of the United States Code,² including any amendments or supplements thereto, may bear such rate of interest or be discounted at such rate as the parties may agree upon in writing within the maximum limitations permitted under the regulations promulgated from time to time by the Federal Housing Administration or the Veterans Administration. The interest rate may be in excess of the maximum rate of conventional interest authorized by law, and as to any such obligation, the claim or defense of usury, or of the taking of interest in excess of the maximum rate of conventional interest, by the obligor or by any guarantor or endorser of the obligation, is prohibited.

B. Notwithstanding any other law to the contrary, particularly but not exclusively [Article 1939](#)³ of the Louisiana Civil Code and [R.S. 9:3500](#), an obligation secured directly or indirectly, in whole or in part, by a mortgage on immovable property of the form commonly known as a “wrap-around” mortgage shall be exempt from the application of the laws on usury and interest upon interest if the nominal interest of the wrap-around mortgage is not greater than the rate of interest lawfully allowed in a conventional mortgage. For the purposes of this Subsection, the following definitions shall apply:

(1) “Wrap-around mortgage” means any second or lower ranked mortgage that (a) has a face amount that represents not only sums of money advanced by the wrap-around mortgagee but also outstanding balances on mortgages ranked higher than the wrap-around mortgage with respect to the immovable property subject to the wrap-around mortgage, or (b) incorporates provisions for the debt servicing and any other matters relating to the higher ranked mortgages which unpaid balances and charges are represented in the face amount of the wrap-around mortgage.

(2) “Nominal interest” is the interest rate applied to the face amount of the wrap-around mortgage.

C. Notwithstanding any other law to the contrary, particularly but not exclusively [Civil Code Art. 1939](#) and [R.S. 9:3500](#), an obligation secured directly or indirectly, in whole or in part, by a mortgage on immovable property of the form commonly

known as “graduated payment” mortgage shall be exempt from the application of the laws on usury and interest upon interest if the nominal interest of the graduated payment mortgage is not greater than the rate of interest lawfully allowed in a conventional mortgage and if the unpaid principal balance does not increase as a result of the addition of deferred interest, exclusive of taxes, insurance, and other nonfinance charges that might be added to the unpaid balance, to an amount greater than one hundred fifty percent of the original face amount of the note and the mortgage. For the purposes of this Subsection, the following definitions shall apply:

(1) “Graduated payment mortgage” means a mortgage which provides for the amortization of the loan by periodic payments which increase one or more times during the term of the mortgage and which provides for the deferring of interest by adding accrued but unpaid interest to the unpaid principal balance.

(2) “Nominal interest” means the interest rate applied to the unpaid principal balance of the graduated payment mortgage.

D. To further promote the objectives of [R.S. 9:3502](#), to encourage the flow of money into Louisiana for homebuilding, home financing, real estate financing, and business development and to assist the citizens of Louisiana in obtaining needed financing at affordable terms and cost, adjustable rate mortgage loans are authorized in accordance with the following terms:

(1) An adjustable rate mortgage loan is any loan of money, credit sale, or extension of credit which provides that the rate of simple interest charged on the unpaid balance may be adjusted from time to time during the term of the loan in accordance with the method of adjustment set forth in the promissory note or other documents evidencing the loan, and which is secured, in whole or in part, directly or indirectly, by a mortgage on leasehold improvements, a mobile home, residential mobile home, or immovable property located in this state.

(2) When the adjustable rate mortgage loan is made for the purpose of financing or refinancing a mobile home, residential mobile home or a one-to-four family dwelling and when applicable to the transaction, either the promissory note or other evidence of the loan shall set forth the following:

(a) The contractual index formula or other basis agreed upon, and any alternate or substitute therefor, upon which changes in the simple interest rate will be based.

(b) The frequency of allowable interest rate adjustments.

(c) Any contractual limitations on interest rate adjustments, such as maximum or minimum interest rates.

(d) The manner and method by which the unpaid balance and, if the loan is to be repaid in installments, the manner and method by which installments will be adjusted periodically to reflect adjustments in the interest rate and the effect, if any, on the number of installments or maturity date of the loan.

(e) The agreement of the parties as to the method by which any changes in the contractual index which are not reflected in a rate adjustment may be carried over to subsequent rate adjustment periods, and be implemented to the extent not offset by opposite movement in the index.

(3) Adjustments in the interest rate shall be based upon changes in the contractual index formula or other basis agreed upon as set forth in either the promissory note or other evidence of the loan. While the parties may agree that the increases in the interest rate caused by increases in the contractual index formula will be made at the option of the lender, notwithstanding any agreement to the contrary, decreases in the interest rate caused by decreases in the contractual index formula shall be implemented at the succeeding adjustment date; provided that no increase or decrease shall be made which would affect any contractual limitations on interest rate adjustments including maximum or minimum interest rates to which the parties have agreed. The parties may agree to use as an index any measurement of interest rates described in either the promissory note or other evidence of the loan, including, but not limited to, the prime or base lending rate of any national or state bank as fixed from time to time by its board of directors or management; the federal reserve discount rate in effect from time to time at any federal reserve bank; the average yield to maturity on United States Treasury obligations of any stipulated terms; or any standard or measurement which may be authorized or permitted in any regulation or statute, or both, for residential mortgage loans by the Federal Home Loan Bank Board or by the Office of the Comptroller of the Currency, Department of the Treasury, or any other federal department, agency, or board.

(4) The provisions of a promissory note evidencing an adjustable rate mortgage loan meeting the requirements of this Subsection shall not impair or destroy the negotiability of the promissory note, nor shall such provisions be deemed potestative conditions.

(5) An adjustable rate mortgage loan shall rank from the date the mortgage is recorded as required by statute, and the priority of the mortgage and all amounts secured thereby shall not be affected by adjustments in the interest rate, or by the effects of such adjustments.

(6) Proof of changes in the interest rate may be made by affidavit of the lender or the holder of the promissory note or other evidence of the loan, or by any officer, partner, or employee of the lender or the holder, if the lender or the holder is not a natural person. Any such affidavit may refer to the contents of an official government publication. In the event of foreclosure by executory process of an adjustable rate mortgage loan, such affidavit shall be authentic evidence of the facts recited therein. Whenever appropriate, proof may also be made by corporate resolution, or by other written instrument. The taking of testimony concerning the content of any affidavit, official government publication, corporate resolution, or other written instrument shall be permitted and shall not be considered a violation of the provisions of [R.S. 9:3500](#) or [9:3503](#) relative to the taking of testimonial proof of the rate of interest.

(7) The provisions of [Louisiana Civil Code Art. 1939](#) shall not apply to adjustable rate loans.

(8) Except as otherwise provided in either the promissory note or other evidence of the loan, upon the filing of suit for payment of an adjustable rate mortgage loan, the interest rate in effect on the date suit is filed shall be fixed as the interest rate on the loan thereafter and no further adjustment in the rate shall be made; provided that, if the loan is thereafter reinstated, the interest rate may thereafter be adjusted as if no judicial demand had been made.

(9) Nothing herein shall be construed as impairing the validity or enforceability of adjustable rate loans made prior to the effective date hereof. All adjustable rate loans made prior to the effective date of this Act which are not otherwise specifically prohibited by law shall be valid and enforceable.

(10) Except as otherwise provided herein, the provisions of this Subsection shall only be applicable to the types of mortgage loan transactions defined in Paragraph (1) of this Subsection, including, but not limited to, loan transactions made pursuant to the Louisiana Consumer Credit Law [R.S. 9:3510, et seq.](#) and the Louisiana Motor Vehicle Sales Finance Act [R.S. 6:951, et seq.](#)

E. Notwithstanding any law to the contrary, particularly but not exclusively [R.S. 9:3500](#), an obligation secured by a mortgage on immovable property where the mortgagee is the former owner of said property, may bear such rate of interest or be discounted at such rate as the parties may agree upon in writing within the maximum limitations permitted to be charged by federally insured financial institutions under federal law or regulation. The interest rate may be in excess of the maximum rate of conventional interest authorized by law, and as to any such obligation, the claim or defense of usury, or the taking of interest in excess of the maximum rate of conventional interest, by the obligor or by any guarantor or endorser of the obligation, is prohibited. However, in no instance shall the interest rate exceed seventeen percent.

Credits

Added by Acts 1969, No. 28, § 3. Amended by Acts 1978, No. 621, § 1; Acts 1979, No. 764, § 1; Acts 1982, No. 261, § 1; Acts 1982, No. 424, § 1, eff. July 21, 1982; Acts 1982, No. 767, § 1; Acts 1985, No. 984, § 1.

LSA-R.S. 9:3509

§ 3509. Rate of interest paid for commercial, business, or agricultural loans; rate upon default

A. Notwithstanding any other provisions of the law of this state to the contrary, any debtor that is a domestic corporation, a limited liability company formed pursuant to the laws of this or any other state, a foreign corporation, a partnership in commendam formed pursuant to the laws of this state, a registered limited liability partnership formed pursuant to the laws of this or any other state, a foreign limited partnership, or a partnership in which all of the partners are either corporations, limited liability companies formed pursuant to the laws of this or any other state, foreign limited partnerships, partnerships in commendam, or partnerships comprised of corporations, foreign limited partnerships, or partnerships in commendam, or registered limited liability partnerships formed pursuant to the laws of this or any other state, or ordinary partnership or any other person or individual borrowing funds for commercial, business, or agricultural purposes or deferring payment of an obligation for commercial, business, or agricultural purposes, may agree to pay interest in excess of the maximum rate of conventional interest authorized by the laws of this state, whether in connection with unsecured or secured indebtedness and whether the secured indebtedness is secured, in whole or in part, directly or indirectly, by a real estate mortgage or chattel mortgage on property in this state or is otherwise secured, and as to any such agreement such debtor shall be prohibited from asserting a claim or defense of usury or of the taking of interest in excess of the maximum rate of conventional interest, and any person whatsoever signing as co-maker, guarantor, or endorser for such debtor shall also be prohibited from asserting any such claim or defense. The term “foreign limited partnership”, as used hereinabove, shall mean any partnership domiciled in any state of the United States, other than Louisiana or the District of Columbia, which shall have been formed and is existing pursuant to the limited partnership law or Uniform Limited Partnership Law of any such state, and such partnership need not qualify as a partnership in commendam under the laws of this state.

B. (1) Notwithstanding the provisions of Subsection A of this Section, and unless otherwise agreed in writing after the default, a lender may not prospectively increase the simple interest rate under a commercial, business, or agricultural purpose loan following declaration of the obligor's default except as follows:

(a) With respect to obligations having an original principal balance of two hundred fifty thousand dollars or less, the fixed simple interest rate shall not be prospectively increased to a rate greater than eighteen percent per annum or three percentage points over the original, fixed contract rate in effect prior to default, whichever is greater.

(b) With respect to obligations having an original principal balance in excess of two hundred fifty thousand dollars, the fixed simple interest rate shall not be prospectively increased to a rate greater than twenty-one percent per annum or three percentage points over the original, fixed contract rate in effect prior to default, whichever is greater.

(2) This Subsection shall apply only to fixed rate, simple interest commercial, business, and agricultural purpose loans, promissory notes, and other obligations entered into on or after September 7, 1990, which provide for a prospective increase in the interest rate following the obligee's declaration of an obligor's default. This Subsection shall not apply to consumer credit transactions or other consumer obligations, or to loans, notes, or other obligations that do not bear interest at a fixed rate and on a simple interest basis prior to a declaration of default. This Subsection shall also not apply to commercial, business, or agricultural purpose loans, notes, or other obligations which are contractually subject to the laws of another state notwithstanding the fact that the obligor may be located or have facilities in Louisiana or that loan proceeds or a portion thereof may be utilized in Louisiana.

(3) The exclusive remedy that may be asserted against a lender or other obligee for a violation of this Subsection is the return of any excessive post-default interest that may have been assessed and collected. Specifically, the obligor shall have no rights under [R.S. 9:3501](#).

Credits

Added by Acts 1981, No. 665, § 1. Amended by [Acts 1990, No. 734, § 1](#); [Acts 1990, No. 847, § 1](#); [Acts 1991, No. 697, § 1](#); [Acts 1995, No. 782, § 1](#); [Acts 1997, No. 1295, § 1](#).