

N.J.S.A. 31:1-1

31:1-1. Contract rate; rate on mortgages on dwellings and other
loans; computation of interest or discount; determination of rates

(a) Except as herein and otherwise provided by law, no person shall, upon contract, take, directly or indirectly for loan of any money, wares, merchandise, goods and chattels, above the value of \$6.00 for the forbearance of \$100.00 for a year, or when there is a written contract specifying a rate of interest, no person shall take above the value of \$16.00 for the forbearance of \$100.00 for a year.

(b) Notwithstanding the limitations of subsection (a) of this section, the Commissioner of Banking may by regulations adopted, amended and rescinded from time to time, provide that the value which may be taken for any loan secured by a first lien on real property as described in paragraph (1) of this subsection shall be a value more than \$6.00 but not more than the Monthly Index of Long Term United States Government Bond Yields, compiled by the Board of Governors of the Federal Reserve System and as published by said Board of Governors in the monthly Federal Reserve Bulletin, for the second preceding calendar month plus an additional 8% per annum rounded off to the nearest quarter of 1% per annum. Within the limits as provided by this subsection, and if he finds it to be in the best interests of the citizens and economy of this State, the commissioner may establish:

(1) A rate of interest on loans secured by a first lien on real property on which there is erected or to be erected a structure containing one, two, three, four, five or six dwelling units, a portion of which structure may be used for nonresidential purposes. The commissioner may establish different rates for such loans based upon the ratio of the loan to the appraised value of the real property. With respect to loans covered by this subsection, the commissioner may by regulation provide that any mortgage commitment outstanding as of the date of an increase in the rate set by the commissioner shall be extended from that date for a period not to exceed 60 days, provided that such extension shall not apply to any commitment which expires beyond the extension period so established.

(2) If for any reason no such index of long term bonds is compiled or published for any 1 or more months, the commissioner shall determine and publish such an index based upon available statistics.

In the case of a loan secured by a first lien on real property made under the provisions of paragraph (1) of this subsection, beginning in the calendar year following the date of the mortgage loan, and annually thereafter, the mortgagee shall notify the mortgagor of the interest rate ceilings established by the commissioner as of the fifteenth day of the month preceding. Such notification shall be given at the same time as the mortgagee gives notice to the mortgagor for Federal Income Tax purposes of the interest paid on the loan in the preceding calendar year.

(c) When, however, pursuant to any such contract, interest or discount is taken or reserved for a period of less than 1 year, or when interest is required to be paid at intervals of less than 1 year such interest or discount may be computed on a daily basis, or on a monthly basis, or on a combination of both such bases when the period for which interest or discount is taken or reserved contains 1 or more months and 1 or more days; and, in any such case, a day shall be deemed to be a $\frac{1}{360}$ part of a year, and a month shall be deemed to be a $\frac{1}{12}$ part of a year, regardless of the number of days contained in such month. Any computation of interest or discount made on any such basis shall constitute a compliance with this section, and any such basis may be applied regardless whether the principal debt is payable in more than or less than 1 year from the time of making the loan.

(d) In making, amending and rescinding regulations pursuant to subsection (b) of this section, the Commissioner of Banking shall consider the general state of the economy, the discount rates prescribed by the Federal Reserve Bank of New York and the Federal Reserve Bank of Philadelphia, the advance rate as prescribed by the Federal Home Loan Bank of New York, the availability of funds for loans, studies and statistics published by the Federal Home Loan Bank Board and other agencies of the United States and of this State, and such other factors and bases for determination as the commissioner may deem pertinent. The rate established by any such regulations shall reasonably reflect prevailing market conditions, regionally and nationally, based upon the studies, statistics and factors considered, and shall remain in force until such time as such regulation is rescinded or such rate is increased or decreased by a subsequent regulation. Any such regulation shall have prospective effect only.

(e) Notwithstanding the provisions of paragraph (a) or (b) of this section, contracts for the following classes or types of loans may provide for any rate of interest which the parties agree upon, and interest at any such rate may be taken, notwithstanding that it exceeds a rate limited by paragraph (a) or (b) of this section:

(1) Loans in the amount of \$50,000.00 or more, except loans where the security given is a first lien on real property on which there is erected or to be erected a structure containing one, two, three, four, five or six dwelling units, a portion of which structure may be used for nonresidential purposes. The rate of interest stated in such contract upon the origination of such loans may be taken notwithstanding that payments thereon reduce the amount outstanding to less than \$50,000.00;

(2) Loans or advances of credit made by savings and loan associations, banking institutions, or any Department of Housing and Urban Affairs or Federal Housing Administration approved mortgages which are subsequently purchased, in whole or in part, by the Federal Housing Administration, Veterans Administration, Farmers Home Administration, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, and any successor thereof or by any organization authorized by the Emergency Home Finance Act of 1970¹ to purchase such loans or by any State or Federal governmental or quasi-governmental organizations.

If such loan is not purchased within 395 days from the date the loan instruments are executed, the maximum rate of interest which may be charged on such loan shall not be in excess of that authorized by the commissioner under the provisions of this section and such rate of interest, if in excess of that rate, shall be reduced to the rate in effect at the date of the execution of the loan instruments. No such reduction shall change the maturity date of the loan without the written consent of the borrower nor shall such reduction affect the lien of the mortgage which secures the loan.

(f) Any provision in a mortgage commitment contracted prior to the effective date of this act providing for an increase in interest rates to be charged based on the highest lawful interest rate shall be null and void.

(g) Notwithstanding any other provisions of this section, if the applicable rate prescribed in this subsection exceeds the rate a person would be permitted to charge in the absence of this subsection, the rate of interest which may be taken on a loan for a business or agricultural purpose in the amount of \$1,000.00 or more may not exceed 5% in excess of the discount rate, including any surcharge thereon, or any 90-day commercial paper in effect at the Federal Reserve Bank of New York on the day when such loan is made.

Credits

Amended by L.1953, c. 150, p. 1364, § 1; L.1968, c. 55, § 1, eff. June 6, 1968; L.1972, c. 99, § 1, eff. July 18, 1972; L.1973, c. 328, § 1, eff. Dec. 20, 1973; L.1976, c. 56, § 1, eff. July 28, 1976; L.1979, c. 85, § 1, eff. May 10, 1979; L.1979, c. 253, § 1, eff. Dec. 21, 1979; L.1981, c. 103, § 17, eff. March 31, 1981.

N.J.S.A. 2C:21-19

2C:21-19. Wrongful credit practices and related offenses

Wrongful Credit Practices and Related Offenses.

a. Criminal usury. A person is guilty of criminal usury when not being authorized or permitted by law to do so, he:

(1) Loans or agrees to loan, directly or indirectly, any money or other property at a rate exceeding the maximum rate permitted by law; or

(2) Takes, agrees to take, or receives any money or other property as interest on the loan or on the forbearance of any money or other interest in excess of the maximum rate permitted by law.

For the purposes of this section and notwithstanding any law of this State which permits as a maximum interest rate a rate or rates agreed to by the parties of the transaction, any loan or forbearance with an interest rate which exceeds 30% per annum shall not be a rate authorized or permitted by law, except if the loan or forbearance is made to a corporation, limited liability company or limited liability partnership any rate not in excess of 50% per annum shall be a rate authorized or permitted by law.

Criminal usury is a crime of the second degree if the rate of interest on any loan made to any person exceeds 50% per annum or the equivalent rate for a longer or shorter period. It is a crime of the third degree if the interest rate on any loan made to any person except a corporation, limited liability company or limited liability partnership does not exceed 50% per annum but the amount of the loan or forbearance exceeds \$1,000.00. Otherwise, making a loan to any person in violation of subsections a.(1) and a.(2) of this section is a disorderly persons offense.

b. Business of criminal usury. Any person who knowingly engages in the business of making loans or forbearances in violation of subsection a. of this section is guilty of a crime of the second degree and, notwithstanding the provisions of [N.J.S. 2C:43-3](#), shall be subject to a fine of not more than \$250,000.00 and any other appropriate disposition authorized by N.J.S. 2C:43-2b.

c. Possession of usurious loan records. A person is guilty of a crime of the third degree when, with knowledge of the nature thereof, he possesses any writing, paper instrument or article used to record criminally usurious transactions prohibited by subsection a. of this section.

d. Unlawful collection practices. A person is guilty of a disorderly persons offense when, with purpose to enforce a claim or judgment for money or property, he sends, mails or delivers to another person a notice, document or other instrument which has no judicial or official sanction and which in its format or appearance simulates a summons, complaint, court order or process or an insignia, seal or printed form of a federal, State or local government or an instrumentality thereof, or is otherwise calculated to induce a belief that such notice, document or instrument has a judicial or official sanction.

e. Making a false statement of credit terms. A person is guilty of a disorderly persons offense when he understates or fails to state the interest rate, or makes a false or inaccurate or incomplete statement of any other credit terms.

f. Debt adjusters. Any person who shall act or offer to act as a debt adjuster without a license as required by P.L.1979, c. 16 ([C.17:16G-1 et seq.](#)), unless exempt from licensure pursuant to that act, shall be guilty of a crime of the fourth degree.

Credits

L.1978, c. 95, § 2C:21-19, eff. Sept. 1, 1979. Amended by L.1979, c. 178, § 42, eff. Sept. 1, 1979; L.1981, c. 104, § 1, eff. March 31, 1981; L.1981, c. 290, § 25, eff. Sept. 24, 1981; L.1986, c. 184, § 6, eff. Dec. 10, 1986; [L.1997, c. 426, § 2, eff. Jan. 19, 1998](#); [L.2009, c. 173, § 2, eff. Jan. 11, 2010](#).