

9 V.S.A. § 41a

§ 41a. Legal rates

(a) Except as specifically provided by law, the rate of interest or the sum allowed for forbearance or use of money shall be 12 percent per annum computed by the actuarial method.

(b) The rate of interest or the sum allowed:

(1) For single payment loans by lenders regulated by Title 8 and federal savings and loan associations, the finance charge shall not exceed 18 percent per annum.

(2) For a retail installment contract the finance charge shall not exceed 18 percent per annum of the first \$500.00 of the balance subject to finance charges and 15 percent per annum of the balance subject to finance charges in excess of \$500.00.

(3) For a bank credit card account or revolving line of credit the rate shall be the rate agreed upon by the lender and the borrower. However, except for cash advances, no finance charge may be imposed for any monthly billing period in which there is no previous balance, or during which the sum of the payments received and other credits issued are equal to or exceed the amount of the previous balance.

(4) For a loan or extension of credit secured by motor vehicles, mobile homes, travel trailers, aircraft, watercraft, and farm equipment, of the current and previous model year, the interest rate shall not exceed 18 percent per annum. For a loan or extension of credit secured by such collateral older than the current or previous model year, the interest rate shall not exceed 20 percent per annum.

(5) For an installment loan not otherwise limited by the preceding subdivisions of this subsection, the interest rate shall not exceed 24 percent per annum on the first \$1000.00 of the aggregate balance outstanding; and shall not exceed 12 percent per annum of the aggregate balance outstanding in excess of \$1000.00; or 18 percent annual percentage rate on the aggregate balance outstanding whichever is higher.

(6) A lender may charge interest rates on loans secured by deposits in excess of the rates otherwise allowed in this section only to the extent that such higher rate is required to comply with Federal Deposit Insurance Corporation, Federal Home Loan Bank, and Federal Reserve Board regulations.

(7) For a loan or extension of credit secured by a subordinate lien against real estate, the interest rate shall not exceed 18 percent per annum. All such lien documents shall include a power of sale pursuant to 12 V.S.A. chapter 172, subchapter 4.

(8) For a loan or extension of credit secured by a first lien against real estate, the interest rate may be the same as may be charged by any financial institution or seller of residential real estate under the provisions of the federal Depository Institutions Deregulation and Monetary Control Act of 1980,¹ as amended.

(9) For a retail charge agreement the finance charge shall be the rate or rates agreed upon by the parties to such charge agreement but not to exceed 21 percent per annum. However, no finance charge may be imposed for any monthly billing period in which there is no previous balance, or during which the sum of the payments received and other credits issued are equal to or exceed the amount of the previous balance. The term “billing period” shall mean the time interval between periodic statement dates. A billing period shall be considered a month or monthly if the last day of each billing period is on the same day of each month or does not vary by more than four days therefrom. For a retail charge agreement, the periodic billing can be no less than $\frac{1}{48}$ th of the balance as of the last advance.

(c) For the purpose of this section the term “lender” shall include natural persons, partnerships, associations, and corporations or other entities whether organized under the laws of Vermont, of the United States, or of any other state or country who make or who have made a loan or loans subject to the laws of Vermont.

(d) Actuarial method

(1) Unless otherwise specifically provided by law, all interest on closed-end accounts, loans, or extensions of credit charged under this or any section shall be computed only on the outstanding balance subject to finance charge by the actuarial method of calculation. On all closed-end accounts, loans, or extensions of credit, interest shall be based on a 365-day year and on a 366-day year during a leap year, except in the case of loans secured by residential properties or to finance income producing business or activity where a 30-day month 360-day year interest calculation may be used. Interest shall not be paid, deducted, or added to principal in advance, except that the advance collection of interest for a period not to exceed 30 days shall be permitted upon origination of a mortgage loan.

(2) “Actuarial method” means the method of allocating payments made on a debt between the amount financed and the finance or other charges pursuant to which a payment is applied first to the accumulated finance or other charges and any remainder is subtracted from, or any deficiency is added to the unpaid balance of the amount financed. The Commissioner may adopt rules not inconsistent with the Federal Truth in Lending Act² further defining the term and prescribing its application.

Credits

1979, Adj. Sess., No. 173, § 12; 1981, No. 89, § 7; 1981, Adj. Sess., No. 126; 1983, No. 37; 1983, Adj. Sess., No. 214, §§ 1, 2; 1985, No. 36, §§ 1, 2; 1987, No. 32, § 2; [1995, No. 9](#), § 1; [1995, Adj. Sess., No. 162](#), § 41.

9 V.S.A. § 50

§ 50. Penalties

(a) When a greater rate of interest than is allowed by law is paid, the person paying it may recover the amount so paid above the legal interest, with interest thereon from the time of payment and all expenses of collection, including reasonable attorney's fees, in a civil action on this statute.

(b) Except as otherwise expressly authorized by law, a lender shall not knowingly or willfully make any contract, express or implied, which directly or indirectly calls for the payment of any interest or finance charge in excess of the legal rate as set forth in [section 41a](#) of this title. The section shall be enforceable only to the extent herein provided and the lender shall have no right to collect any interest or charges whatsoever and shall have a right to collect only one-half of the principal.

(c) Any person, partnership, association, or corporation and the several members, officers, directors, agents, and employees thereof, who knowingly or willfully contracts for or collects any sum in excess of legal interest for the loan, use, or forbearance of money, unless expressly authorized by law to do so, shall, for the first offense, be fined not more than \$500.00 or imprisoned for not more than six months, or both. Upon conviction for violating this section in any transaction entered into or consummated after a first conviction hereunder, the offender shall be fined not more than \$1,000.00 or imprisoned for not more than one year, or both.

Credits

1967, Adj. Sess., No. 377; 1979, Adj. Sess., No. 173, § 14.