

---

Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

---

House Bill 5585 (Substitute H-1 as reported without amendment)  
Sponsor: Representative Andrew Richner  
House Committee: Civil Law and the Judiciary  
Senate Committee: Judiciary

### **CONTENT**

The bill would amend the Revised Judicature Act (RJA) to revise provisions pertaining to interest calculated when a judgment is rendered on a written instrument. That provision was amended by Public Act 175 of 2001 (which will take effect on March 22, 2002). Several provisions in Public Act 175 refer to July 1, 2001, which the bill would change to July 1, 2002. The bill also would provide for a judgment interest rate on instruments with a variable rate.

Under the current provisions (before Public Act 175 takes effect), interest must be calculated from the date of the complaint to the date of the judgment at 12% per year compounded annually, unless the instrument has a higher rate of interest. In that case, interest must be calculated at the rate specified in the instrument. In no case may the rate exceed 13% per year compounded annually. Under Public Act 175, these provisions will apply to complaints filed before July 1, 2001, except as described below.

Public Act 175 provides that, for a complaint filed before July 1, 2001, if there is not a final judgment by that date, and if a judgment is rendered on a written instrument that does not evidence indebtedness with a specified interest rate, interest is calculated as for complaints that are not rendered on a written instrument. (In those situations, interest is calculated at six-month intervals, at 1% plus the average interest rate paid on five-year U.S. Treasury notes during the six months immediately preceding July 1 and January 1, and compounded annually.) Under Public Act 175, for a complaint filed on or after July 1, 2001, if a judgment is rendered on a written instrument evidencing indebtedness with a specified interest rate, interest must be calculated from the date of the filing to the date of the judgment at the rate specified in the instrument if the rate was legal at the time the instrument was executed. The rate may not exceed 13% per year.

Under the bill, the July 1, 2001, date in the above provisions would be changed to July 1, 2002. In addition, for a complaint filed on or after July 1, 2002, if the rate in a written instrument were a variable rate, interest would have to be fixed at the rate in effect under the instrument at the time the complaint was filed, but the rate could not exceed 13% per year.

MCL 600.6013

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Date Completed: 2-28-02

Fiscal Analyst: Bill Bowerman