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House Bill 5585 (Substitute H-1 as passed by the House)  
Sponsor: Representative Andrew Richner  
House Committee: Civil Law and the Judiciary  
Senate Committee: Judiciary

Date Completed: 2-27-02

### **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 (House Bill 4448), which is scheduled to 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), for complaints filed on or after January 1, 1987, if a judgment is rendered on a written instrument, interest must be calculated from the date the complaint was filed to the date the judgment is satisfied, at the rate of 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, if the rate was legal at the time the instrument was executed. In no case, however, may the rate exceed 13% per year compounded annually after the date judgment is entered. Under Public Act 175, these provisions will apply to complaints filed on or after January 1, 1987, but before July 1, 2001, except as described below.

Public Act 175 provides that, for a complaint filed on or after January 1, 1987, but before July 1, 2001, if the civil action has not resulted in a final, nonappealable judgment as of July 1, 2001, and if a judgment is or has been rendered on a written instrument that does not evidence indebtedness with a specified interest rate, interest is calculated as provided in the RJA for complaints filed after January 1, 1987, that were not rendered on a written instrument. In those situations, interest on a money judgment recovered in a civil action is calculated at six-month intervals, from the date of the filing of the complaint, at a rate equal to 1% plus the average interest rate paid at auctions of five-year U.S. Treasury notes during the six months immediately preceding July 1 and January 1, as certified by the State Treasurer, 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 of the complaint to the date of satisfaction 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 compounded annually after the date judgment is entered.

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 compounded annually. (The bill would omit "after the date judgment is entered" from the 13% cap.)

MCL 600.6013

Legislative Analyst: Patrick Affholter

**FISCAL IMPACT**

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

Fiscal Analyst: Bill Bowerman