

16-205. Interest rates or charges; contract rates continue until payment in full; judgments; excess rates and charges void. (a)

When a rate of interest or charges is specified in any contract, that rate shall continue until full payment is made, and any judgment rendered on any such contract shall bear the same rate of interest or charges mentioned in the contract, which rate shall be specified in the judgment; but in no case shall such rate or charges exceed the maximum rate or amount authorized by law, and any bond, note, bill, or other contract for the payment of money, which in effect provides that any interest or charges or any higher rate of interest or charges shall accrue as a penalty for any default, shall be void as to any such provision.

(b) Judgments taken in accordance with the provisions of subsection (a) shall be expressed as follows:

(1) Judgments upon interest-bearing contracts shall provide (i) the unpaid principal balance, (ii) the date to which interest is paid, (iii) the contract rate of interest and (iv) that the unpaid principal balance shall draw the contract rate of interest from the date to which interest is paid until payment in full.

(2) Judgments upon precomputed interest-bearing contracts shall provide: (i) The unpaid principal balance shall be ascertained by deducting from the remaining total of payments owed on the contract that portion of the precomputed finance charges that are unearned as of the date of acceleration of the maturity of the contract, as provided in K.S.A. 16a-2-510 for computing the unearned portion of precomputed finance charges in the event of prepayment in full. Any delinquency or deferral charges added to the unpaid balance subsequent to the date of acceleration shall be first deducted from the unpaid balance prior to any such acceleration. The contract shall be accelerated as of the date provided for in the provisions of the contract, or if the contract does not provide for the date on which the contract shall be accelerated, it shall be accelerated as of the actual date of any such acceleration; (ii) the date to which interest is paid, which date shall be the maturity date of the next installment due after the date of acceleration, except those contracts which are accelerated on an installment due date which shall be the date of acceleration; the date to which interest is paid for those contracts that have matured prior to judgment shall be calculated from maturity date of the contract; (iii) the contract rate of interest; and (iv) that the unpaid principal balance shall draw the contract rate of interest from the date to which interest is paid until payment in full.

(3) Judgments upon contracts where the finance charges are computed in dollars per hundred and added on to the original balance to be financed shall provide: (i) The unpaid principal balance shall be ascertained by deducting from the remaining total of payments owed on the contract that portion of the precomputed finance charges that are unearned as of the date of acceleration of the maturity of the contract as provided in K.S.A. 16a-2-510 for computing the unearned portion of precomputed finance charges in the event of prepayment in full. Any delinquency or deferral charges added to the unpaid balance subsequent to the date of acceleration shall be first deducted from the unpaid balance prior to any such acceleration. The contract shall be accelerated as of the date provided for in the provisions of the contract, or if the contract does not provide for the date on which the contract shall be accelerated, it shall be accelerated as of the actual date of any acceleration; (ii) the date to which interest is paid, which date shall be the maturity date of the next installment due after the date of acceleration, except those contracts which are accelerated on an installment due date which shall be the date of acceleration; the date to which interest is paid for those contracts that have matured prior to judgment shall be calculated from the maturity date of the contract; (iii) the contract rate of interest expressed as an annual percentage figure, which may be taken from the contract if it discloses the annual percentage rate, or it shall be ascertained in accordance with the constant ratio method which is mathematically expressed as follows:

$$2mcR = \frac{p}{n} \text{ where } p(n + 1)$$

R = rate of charge

m = number of payment periods in one year

n = number of payments to discharge the debt

c = charge in dollars

p = principal or cash advanced

and (iv) that the unpaid principal balance shall draw the contract rate of interest as determined herein from the date to which interest is paid until payment in full.

History: L. 1889, ch. 164, § 5; R.S. 1923, 41-105; L. 1955, ch. 135, § 27; L. 1974, ch. 90, § 1; L. 1976, ch. 96, § 1; July 1.