

House Bill 281

By: Representative Harbin of the 118th

A BILL TO BE ENTITLED
AN ACT

1 To amend Article 1 of Chapter 4 of Title 7 of the Official Code of Georgia Annotated,
2 relating to general provisions regarding interest and usury, so as to change certain provisions
3 relating to the legal rate of interest and the maximum rate of interest generally; to change
4 certain provisions relating to criminal penalties for excessive interest; to repeal conflicting
5 laws; and for other purposes.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

7 **SECTION 1.**

8 Article 1 of Chapter 4 of Title 7 of the Official Code of Georgia Annotated, relating to
9 general provisions regarding interest and usury, is amended by revising paragraph (3) of
10 subsection (a) of Code section 7-4-2, relating to the legal rate of interest and maximum rate
11 of interest generally, as follows:

12 "(3) As used in this Code section, the term 'interest' means a charge for the use of money
13 computed over the term of the contract at the rate stated in the contract or precomputed
14 at a stated rate on the scheduled principal balance or computed in any other way or any
15 other form. Principal includes such charges to which the parties may agree under
16 paragraph (1) of this subsection. Amounts paid or contracted to be paid as either an
17 origination fee or discount points, or both, on any loan secured by an interest in real estate
18 shall not be considered interest and shall not be taken into consideration in the calculation
19 of interest and shall not be subject to rebate as provided in paragraph (1) of subsection
20 (b) of this Code section. The debtor may use proceeds of a loan or advance to establish
21 collateral for the loan or advance. The amount of such proceeds used for collateral is not
22 considered a reduction in the principal amount of the loan or advance for purposes of
23 calculating interest under this Code section."

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SECTION 2.

25 Said article is further amended by revising subsection (a) of Code Section 7-4-18, relating
26 to criminal penalties for excessive interest, as follows:

27 "(a) Any person, company, or corporation who shall reserve, charge, or take for any loan
28 or advance of money, or forbearance to enforce the collection of any sum of money, any
29 rate of interest greater than 5 percent per month, either directly or indirectly, by way of
30 commission for advances, discount, exchange, or the purchase of salary or wages; by
31 notarial or other fees; or by any contract, contrivance, or device whatsoever shall be guilty
32 of a misdemeanor; provided, however, that regularly licensed pawnbrokers, as defined in
33 Code Section 44-12-130, are limited in the amount of interest they may charge only by the
34 limitations set forth in Code Section 44-12-131. The debtor may use proceeds of a loan or
35 advance of money to establish collateral for the loan or advance of money. The amount
36 of such proceeds used for collateral is not considered a reduction in the principal amount
37 of the loan or advance of money for purposes of calculating the rate of interest under this
38 Code section."

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SECTION 3.

40 All laws and parts of laws in conflict with this Act are repealed.