

1 AN ACT relating to contracts.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 360.010 is amended to read as follows:

4 (1) Except as provided in KRS 360.040, the legal rate of interest is eight percent (8%)
5 per annum, but any party or parties may agree, in writing, for the payment of
6 interest in excess of that rate as follows:

7 (a) At a per annum rate not to exceed four percent (4%) in excess of the discount
8 rate on ninety (90) day commercial paper in effect at the Federal Reserve
9 Bank in the Federal Reserve District where the transaction is consummated or
10 nineteen percent (19%), whichever is less, on money due or to become due
11 upon any contract or other obligation in writing where the original principal
12 amount is fifteen thousand dollars (\$15,000) or less; ~~and~~ and

13 (b) At any rate on money due or to become due upon any contract or other
14 obligation in writing where the original principal amount is in excess of
15 fifteen thousand dollars (\$15,000).

16 **(2) ~~;~~ and ~~Any~~ ~~such~~ party or parties *to a contract or obligation described in***
17 ***subsection (1) of this section***, and any party or parties who may assume or
18 guarantee ~~the~~ ~~any such~~ contract or obligation, shall be bound, **subject to Section 2**
19 **of this Act**, for ~~the~~ ~~such~~ rate of interest as is expressed in ~~the~~ ~~any such~~ contract,
20 obligation, assumption, or guaranty, and no law of this state prescribing or limiting
21 interest rates shall apply to ~~the~~ ~~any such~~ agreement or to any charges which pertain
22 thereto or in connection therewith.

23 **(3) *The party entitled to be paid in any written contract or obligation specifying a***
24 ***rate of interest shall be entitled to recover interest after default at the rate of***
25 ***interest as is expressed in the contract or obligation prior to the default and that***
26 ***interest rate shall be the interest rate for the purpose of KRS 360.040(3). If the***
27 ***interest rate expressed in the contract or obligation is a variable rate, the interest***

1 rate after default and until judgment shall be calculated and adjusted as provided
2 in the contract or obligation prior to the default.

3 (4) The party entitled to be paid in any written contract or obligation not specifying a
4 rate of interest or to which no interest rate otherwise applies shall be entitled to
5 recover interest after default and until judgment at the legal rate of interest.

6 (5) Nothing in this section~~]; provided, however, nothing herein contained]~~ shall be
7 construed to amend, repeal, or abrogate any other law of this state pertaining to any
8 particular types of transactions for which the maximum rate of interest is
9 specifically prescribed or provided.

10 ~~(6)(2)~~ Any state or national bank may charge ten dollars (\$10) for any loan
11 negotiated at the bank in this state, even if the legal interest does not amount to that
12 sum.

13 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 371 IS CREATED TO
14 READ AS FOLLOWS:

15 (1) The obligation of a debtor or obligor to pay or satisfy a debt, liability, or other
16 obligation, including an obligation to pay interest, is not extinguished or
17 otherwise adversely affected, in whole or in part, by any action taken by the
18 creditor or other obligee for purposes of the creditor or obligee's own financial,
19 tax, or accounting records or affairs, including but not limited to treating the
20 debt, liability, or other obligation as not collectible.

21 (2) Nothing in this section shall preclude the debtor or obligor, in any event, from
22 proving that it has fully or partially paid or otherwise satisfied the debt, liability,
23 or other obligation in accordance with the terms of the debt, liability, or other
24 obligation.