

**Chapter 14**  
**Interest Rates Generally**

[Part 1 —General Provisions](#)

[Part 2 — Interest on Home Loans \[Transferred\]](#)

**Part 1**  
**—General Provisions**

47-14-101. Judgments rendered in dollars and cents. —

47-14-102. Definitions. —

47-14-103. Maximum effective rates generally. —

47-14-104. Single payment loans. —

47-14-105. Announcement and publication of formula rates — Reliance thereon. —

47-14-106. Contracts for applicable formula rates of interest. —

47-14-107. Computation of interest — Installment loans. —

47-14-108. Prepayment of loans — Contracts restricting prepayment of loans. —

47-14-109. When interest accrues. —

47-14-110. Usury as a defense. —

47-14-111. Actions to recover usury. —

47-14-112. Usury a misdemeanor — Penalty. —

47-14-113. Limitations on loan charges, commitment fees and brokerage commissions. —

47-14-114. Actions to recover excess loan charges, commitment fees, or brokerage commissions. —

47-14-115. Usury or excess charges — Equitable remedies. —

47-14-116. Usury or excessive charges — Reliance on statute, rule, or order. —

47-14-117. Usury or excessive charges — Contracts. —

47-14-118. Usury or excessive charges — Statute of limitations. —

47-14-119. Choice of laws. —

47-14-120. Time-price differential. —

47-14-121. Interest on judgments — Rate. —

47-14-122. Interest on judgments — Computation. —

47-14-123. Prejudgment interest. —

47-14-124. Rates fixed by other statutes. —

47-14-125. Compliance with federal Consumer Credit Protection Act. —

**47-14-101. Judgments rendered in dollars and cents. —**

All verdicts and judgments shall be rendered in dollars and cents, or such parts thereof as the nature of the case may require. Executions thereon, and all bills of costs, shall be issued accordingly.

[Code 1858, § 1942 (deriv. Acts 1798-1799, ch. 19, § 1); Shan., § 3491; mod. Code 1932, § 7299; T.C.A. (orig. ed.), § 47-1601; Acts 1976, ch. 737, § 1; 1979, ch. 203, § 25.]

**47-14-102. Definitions. —**

The following terms have the following meanings, subject to additional definitions, specifications and limitations contained in provisions of other statutes relating to particular categories of lenders or of transactions:

(1) “Account purchase transaction” means an agreement under which a commercial entity sells accounts, instruments, documents, or chattel paper to another commercial entity subject to a discount or fee, regardless of whether the commercial entity has a repurchase obligation related to the transaction; (2) “Actuarial method” means the method of allocating payments made on a debt between the principal and interest pursuant to which payment is applied first to accumulated interest and any remainder is subtracted from, or any deficiency is added to, the unpaid principal balance of the debt;

(3) “Applicable formula rate” at any given time is the greater of:

(A) The “formula rate” in effect at such time; or

(B) The “formula rate” last published in the Tennessee Administrative Register prior to such time, pursuant to § [47-14-105](#);

(4) “Brokerage commissions” includes all fees paid to mortgage bankers, banks, savings and loan associations, savings banks, or other parties regularly engaged in the business of originating and arranging for the placement of loans secured by mortgages or deeds of trust upon real estate for services performed in the origination and placement of such loans with the third party lenders, whether the same are closed directly in the name of the lender or, in the alternative, in the name of such mortgage banker or other party with the intention to sell and transfer the same to such lender; provided, that such sale or a substantial portion thereof is completed within one (1) year from the closing of such loan or the completion of construction, whichever is later;

(5) “Commitment fees” are compensation to the lender in return for its conditional or unconditional obligation during a certain period of time to make a loan or loans under specified terms and conditions;

(6) “Effective rate of interest” is the simple rate of interest, i.e., the ratio between the interest payable on an obligation and the principal for a period of time, including the result of converting compound, discount, add-on, or other nominal rates of interest into simple rates of interest;

(7) “Formula rate” means an annual rate of interest four (4) percentage points above the average prime loan rate (or the average short-term business loan rate, however denominated) for the most recent week for which such an average rate has been published by the board of governors of the Federal Reserve System, or twenty-four percent (24%) per annum, whichever is less; provided, that in the event that the board of governors ceases to publish the average rate, or in the event that the formula rate should be adjudicated or become inapplicable for any reason whatsoever, the formula rate is, and shall remain, twenty-four percent (24%) per annum until the general assembly otherwise provides. If the board of governors fails to publish the average rate for four (4) consecutive weeks, it shall be deemed to have ceased to publish the average rate;

(8) “Interest” is compensation for the use or detention of, or forbearance to collect, money over a period of time, and does not include compensation for other purposes, including, but not limited to, time-price differentials, loan charges, brokerage commissions, or commitment fees. For example, when you borrow money, you pay the lender simple interest (which is like rent) for the use of the money. The amount of interest you pay depends on:

(A) The principal, which is the amount you borrow;

(B) The rate, which is a percent based on a period of time, usually one (1) year;  
and

(C) The number of periods of time that you have the use of the money. Thus, interest equals principal  $\times$  rate  $\times$  time. Accordingly, to determine the interest charged for borrowing five hundred dollars (\$500) for three (3) years if the rate of interest is nine percent (9%) per year, first calculate the interest for one (1) year using the proportion rate equal percent/base, or  $9/100$  equals  $I/500$ ; where I stands for interest, interest equals  $9 \times 500/100$  equals forty-five dollars (\$45.00). For three (3) years, the interest equals  $3 \times \$45.00$  equals \$135; or you can combine steps 1 and 2 so that interest for three (3) years equals  $(9\% \times \$500) \times 3$  equals one hundred thirty-five dollars (\$135), presuming that no payment is made toward the principal of the loan during the three-year period. Notwithstanding the provisions of this subdivision (8), "interest" does not include any amount of a discount or fee in, or charged under, an account purchase transaction;

(9) "Loan charges" are compensation to the lender for services or expenses directly incident to a loan or contract to make a loan, and do not include compensation for other purposes, including, but not limited to, time-price differentials, interest, brokerage commissions, or commitment fees;

(10) "Principal" is the total amount of an obligation to pay money on which interest is to be computed. With respect to loans:

(A) Principal is the total amount of money paid to, receivable by, credited to the account of, or payable for the account of, a borrower;

(B) Loan charges and other charges for which the borrower contracts to pay may be included as principal, subject to such limitations as may be imposed by statute; and

(C) Precomputed interest may not be included as principal for the purpose of

determining the simple or the effective rate of interest;

(11) “Time-price differential” is the difference, however denominated or expressed, between the amount charged on a sale of property, or a charge for services, for cash and the amount charged if payment were to be deferred or if payment were to be made in future installments; provided, that any difference in such amounts charged with respect to the sale of real property to be owned and occupied by the purchaser as the purchaser's principal place of residence for family residential purposes shall be considered to be interest rather than time-price differential; and

(12) “Usury” is the collection of interest in excess of the maximum amounts authorized by or pursuant to this chapter or any other statute.

[Acts 1979, ch. 203, § 1; 1983, ch. 464, § 1; 2006, ch. 565, §§ 1, 2.]

**47-14-103. Maximum effective rates generally. —**

Except as otherwise expressly provided by this chapter or by other statutes, the maximum effective rates of interest are as follows:

(1) For all transactions in which provisions of other statutes fix a maximum effective rate of interest for particular categories of creditors, lenders, or transactions, the rate so fixed;

(2) For all written contracts, including obligations issued by or on behalf of the state of Tennessee, any county, municipality, or district in the state, or any agency, authority, branch, bureau, commission, corporation, department, or instrumentality thereof, signed by the party to be charged, and not subject to subdivision (1), the applicable formula rate; and

(3) For all other transactions, ten percent (10%) per annum.

[Acts 1979, ch. 203, § 2; 1980, ch. 601, § 26; 1983, ch. 464, § 2.]

**47-14-104. Single payment loans. —**

(a) Notwithstanding the provisions of this or other statutes, for all single payment loans for a term of one (1) year or less, in an original principal amount of one thousand dollars (\$1,000) or less:

(1) The maximum effective rate of interest shall be that rate fixed, from time to time, as fair and reasonable, by rule adopted by the commissioner of financial institutions, but in no event to exceed ten percent (10%) per annum; and

(2) A loan charge may be exacted at a rate not to exceed seven dollars and fifty cents (\$7.50) on the first one hundred dollars (\$100) of principal and one dollar and fifty cents (\$1.50) per one hundred dollars (\$100) of principal thereafter, up to a maximum of twenty dollars (\$20.00) for any loan; provided, that no such loan charge may be assessed upon the renewal of any such loan.

(b) The commissioner shall adopt reasonable rules and regulations to prevent abuses in the collection of interest, loan charges, and any other charges made in connection with or in relation to such single payment loans.

[Acts 1979, ch. 203, § 3.]

**47-14-105. Announcement and publication of formula rates — Reliance thereon. —**

(a) Upon the publication by the board of governors of the Federal Reserve System of the average prime loan rate, as described in § [47-14-102](#), the commissioner of financial

institutions shall:

- (1) Promptly make an official announcement of the formula rate;
- (2) Cause the dissemination of such announcement to the news media in such manner as the commissioner deems appropriate; and
- (3) Cause to be published in the Tennessee Administrative Register the formula rate as determined by the average prime loan rate first published during each calendar month.

(b) In contracting for interest pursuant to the provisions of § [47-14-103](#)(2), any person shall be entitled to rely upon the formula rate thus announced or published by the commissioner; provided, that a formula rate shall not be deemed to have been published until seven (7) days have elapsed following the publication date stated in the issue of the Tennessee Administrative Register containing the announcement of such formula rate.

(c) The determination by the commissioner as provided for herein, for the sole purpose of an announcement under this section, shall not be deemed a “rule” within the meaning of § [4-5-102](#), and such action of the commissioner shall be exempt from the provisions of the Uniform Administrative Procedures Act, compiled in title [4](#), chapter 5.

[Acts 1979, ch. 203, § 4; 1983, ch. 464, § 3.]

**47-14-106. Contracts for applicable formula rates of interest. —**

Contracts to which the applicable formula rate provided in § [47-14-103](#)(2) applies may provide for the payment of a fixed rate of interest, a variable rate of interest or any combination of fixed and variable rates in any sequence, subject to the provisions of this section.

(1) A contract may provide for a fixed rate of interest:

(A) Permissible at the time the contract to make the loan is executed;

(B) Permissible at the time the loan is made;

(C) Permissible at the time the interest rate on the loan is converted from a variable to a fixed rate, or from one fixed rate to another fixed rate, whether such conversion is by terms of the contract or by renewal, modification, extension or otherwise; or

(D) Permissible at the time of any renewal or extension of the loan or any note evidencing the loan; or

(E) Permissible by virtue of any combination of any of the foregoing.

(2) A contract may provide for a rate of interest that may vary from time to time at such regular or irregular intervals as may be agreed by the parties; provided, that such variable rate shall not exceed the greater of:

(A) That authorized by statute at the agreed time of each variance; or

(B) That authorized at the time of execution of the contract or note evidencing the indebtedness upon which such variable rate is or is to be charged;

(3) The parties may agree to a minimum fixed rate of interest to be applicable to a rate which is or may become otherwise variable; provided, that such agreed minimum fixed rate of interest does not exceed the rate permitted at the time the contract to make the loan is executed, or at the time the note is executed, or at the time of any renewal or extension thereof, whichever is greater.

[Acts 1979, ch. 203, § 5; 1992, ch. 629, § 1.]

**47-14-107. Computation of interest — Installment loans. —**

(a) This chapter does not limit or restrict the manner or method of contracting for interest, whether by way of add-on, discount, or otherwise, so long as the maximum effective rate of interest does not exceed that authorized by statute.

(b) For installment loans, the maximum effective rate of interest shall:

(1) Be determined in accordance with the actuarial method;

(2) Be calculated, in the case of a precomputed loan, on the assumption that all scheduled payments will be made as contracted; and

(3) Not be affected by the prepayment of the loan, in whole or in part.

[Acts 1979, ch. 203, § 6.]

**47-14-108. Prepayment of loans — Contracts restricting prepayment of loans. —**

(a) Except as limited by statutory provisions expressly applicable thereto, the privilege of prepayment of a loan, in whole or in part, and any refunds or premiums with respect thereto, shall be governed by contract between the parties.

**(b) (1)** Any contract for a consumer loan that:

**(A)** Either prohibits prepayment or imposes a penalty for prepayment; and

**(B)** Is not subject to the provisions of the Federal Truth in Lending Act, 15 U.S.C. § 1601 et seq. and its implementing Regulation Z, 12 C.F.R. § 226 et seq.

shall state on its face in at least ten (10) point bold type in language separated from the other language in the contract by bold print dividing lines that it cannot be prepaid or that there is a penalty for prepayment.

**(2)** If such contract does not comply with the provisions of subdivision (1), the provision prohibiting prepayment or imposing the prepayment penalty shall be unenforceable.

**(3)** For purposes of this subsection, “consumer loan” means an extension of credit:

**(A)** To one (1) or more natural persons;

**(B)** Primarily for personal, family or household purposes; and

**(C)** Secured by real property or secured by personal property used or expected to be used as the principal dwelling of the consumer.

[Acts 1979, ch. 203, § 7; 2000, ch. 629, § 1; 2000, ch. 846, § 41.]

**47-14-108. Prepayment of loans — Contracts restricting prepayment of loans. —**

**(a)** Except as limited by statutory provisions expressly applicable thereto, the privilege of prepayment of a loan, in whole or in part, and any refunds or premiums with respect thereto, shall be governed by contract between the parties.

**(b) (1)** Any contract for a consumer loan that:

**(A)** Either prohibits prepayment or imposes a penalty for prepayment; and

**(B)** Is not subject to the provisions of the Federal Truth in Lending Act, 15 U.S.C. § 1601 et seq. and its implementing Regulation Z, 12 C.F.R. § 226 et seq.

shall state on its face in at least ten (10) point bold type in language separated from the other language in the contract by bold print dividing lines that it cannot be prepaid or that there is a penalty for prepayment.

**(2)** If such contract does not comply with the provisions of subdivision (1), the provision prohibiting prepayment or imposing the prepayment penalty shall be unenforceable.

**(3)** For purposes of this subsection, “consumer loan” means an extension of credit:

**(A)** To one (1) or more natural persons;

**(B)** Primarily for personal, family or household purposes; and

**(C)** Secured by real property or secured by personal property used or expected to be used as the principal dwelling of the consumer.

[Acts 1979, ch. 203, § 7; 2000, ch. 629, § 1; 2000, ch. 846, § 41.]

**47-14-110. Usury as a defense. —**

(a) A defendant sued for money may avoid the excess over lawful interest by pleading usury, setting forth the amount of such excess.

(b) In order to sustain a defense of usury, the burden is on the party claiming usury.

[Acts 1979, ch. 203, § 9.]

**47-14-111. Actions to recover usury. —**

If usury has been paid, it may be recovered by action brought by the party from whom it was taken, or that party's representative, or it may be subjected by any judgment creditor of such party to the satisfaction of that party's debt.

[Acts 1979, ch. 203, § 10.]

**47-14-112. Usury a misdemeanor — Penalty. —**

The willful collection of usury is a Class A misdemeanor.

[Acts 1979, ch. 203, § 11; 1989, ch. 591, § 111.]

**47-14-113. Limitations on loan charges, commitment fees and brokerage commissions. —**

(a) For all loans in which a provision of this chapter or another statute authorizes or allows loan charges, commitment fees, or brokerage commissions for particular categories of lenders or transactions, the collection of such charges, fees, and commissions shall be limited to the charges, fees, or commissions so authorized or allowed.

(b) For any written contract, signed by the party to be charged, the collection of commitment fees shall be limited to compensation which is fair and reasonable for the detriment suffered or the commitment made by the lender, considering the condition of the money market, the interest rates then prevailing, the credit worthiness of the borrower, the likelihood of the loan being made, and the interest rate and other terms contained in the loan commitment.

(c) The collection of brokerage commissions shall be limited to compensation which is fair and reasonable for the services performed, considering the condition of the money market, the credit worthiness of the borrower, the custom in the market place, the interest rate to be paid, the nature and value of the security, and other relevant factors.

(d) For any written contract, signed by the party to be charged, and not subject to subsection (a), the collection of loan charges shall be limited to those loan charges agreed to in that contract; provided, that no such charges may validly be agreed to in such a contract other than those which are fair and reasonable compensation for some expense incurred or to be incurred, or some service rendered or to be rendered, to or on behalf of the borrower, in connection with a particular loan. In any event, no such loan or contract shall include, except as a part of interest, charges for costs indirectly related to that loan or contract, including, but not limited to, overhead of the lender, loan losses, and charges for services performed by officers or employees of the lender unless such services are rendered directly for:

(1) Inspecting and verifying collateral prior to the loan being made;

(2) Servicing and verifying the collateral securing the loan; and

(3) Collection of the loan.

(e) For all other loans, no such charges or fees may validly be imposed.

[Acts 1979, ch. 203, § 12.]

**47-14-114. Actions to recover excess loan charges, commitment fees, or brokerage commissions. —**

If loan charges, commitment fees, or brokerage commissions in excess of those authorized have been paid, the amount of such excess charges, fees, or commissions, may be recovered by action brought by the person paying such excess amounts.

[Acts 1979, ch. 203, § 13.]

**47-14-115. Usury or excess charges — Equitable remedies. —**

(a) The chancery court has jurisdiction, concurrent with courts of law, for the abatement and recovery of usury or excess loan charges.

(b) No person shall be entitled to an equitable remedy with respect to usury or excess loan charges unless the person seeking such remedy does equity by paying, or tendering into court, the principal plus lawful interest and loan charges then due; provided, that any contract may be reformed by suit brought in equity with respect to any regulated loan charges, brokerage commissions, or commitment fees in excess of those authorized by law upon cost bond or, in appropriate cases, on pauper's oath.

(c) Where successful in the reformation of the instrument, the complaining party shall be awarded reasonable attorneys' fees.

[Acts 1979, ch. 203, § 14.]

---

**47-14-116. Usury or excessive charges — Reliance on statute, rule, or order. —**

A claim or defense based on usury or excessive loan charges, commitment fees, or brokerage commissions will not be sustained where the person against whom the claim or defense is made, in computing and making such charges, fees, or commissions, has relied on a statute, or a rule or regulation promulgated by an administrative agency, or on the final order of any such administrative agency in a proceeding involving such person.

[Acts 1979, ch. 203, § 15.]

**47-14-117. Usury or excessive charges — Contracts. —**

(a) Any contract which on its face requires the payment of usury or excess loan charges, commitment fees, or brokerage commissions shall not be enforceable; but the original lender or creditor may sue to recover the principal actually advanced, plus lawful interest, loan charges, commitment fees, and brokerage commissions.

(b) Where usury or excess loan charges, commitment fees or brokerage commissions do not appear on the face of the contract, but are proved, only the principal, plus lawful interest, loan charges, commitment fees, and brokerage commissions may be recovered.

(c) (1) Where, however, the court finds that the lender or creditor has been guilty of unconscionable conduct in a transaction by taking interest, loan charges, commitment fees, or brokerage commissions in excess of the limitations fixed by statute, that lender or creditor shall not be entitled to recover any interest, loan charges, commitment fees, or brokerage commissions with respect to that transaction, and shall be required to refund to the borrower or debtor any loan charges, commitment fees, or brokerage commissions, and twice the amount of any interest collected with respect to that transaction, and the borrower shall be entitled to recover reasonable attorneys' fees from the lender.

(2) As used in this subsection, “unconscionable conduct” includes, but is not limited to, any calculated violation of statutory limitations on interest, loan charges, commitment fees, or brokerage commissions with full awareness of those limitations.

[Acts 1979, ch. 203, § 16.]

**47-14-118. Usury or excessive charges — Statute of limitations. —**

(a) No action shall be brought on any claim for usury after three (3) years from the date of last payment of the same or foreclosure or court action, whichever ensues first.

(b) No action shall be brought on any claim for excessive loan charges, commitment fees, or brokerage commissions after three (3) years from the date of payment of the charges, fees or commissions.

[Acts 1979, ch. 203, § 17.]

**47-14-119. Choice of laws. —**

In any transaction otherwise subject to this chapter which is not subject to the disclosure requirements of the Federal Consumer Credit Protection Act, where the transaction bears a reasonable relationship to this state and also to another state or nation, the parties may agree in the written contract evidencing such transaction that the laws of this state or of any other such state or nation shall govern their rights and duties with respect to interest, loan charges, commitment fees, and brokerage commissions.

[Acts 1979, ch. 203, § 18.]

**47-14-120. Time-price differential. —**

(a) The charging of a time-price differential shall not be deemed to bring a transaction within any regulation of interest, loans or loan charges, commitment fees, or brokerage commissions, regardless of whether the seller disposes of the contract containing the time-price differential pursuant to a prearranged agreement, on a recourse or nonrecourse basis, or otherwise.

(b) It shall be permitted to include in a motor vehicle retail installment contract containing the time price differential any amounts actually paid, or to be paid, by a seller pursuant to an agreement with a buyer to discharge a security interest, lien or lease interest on property traded in by a buyer. It shall also be permitted for any lessor of a motor vehicle to include in a lease the outstanding balance of a prior loan or lease of a motor vehicle used as a trade-in, as well as other items that are capitalized or amortized during the lease term without any regulation of interest, loans or loan charges, commitment fees or brokerage commissions, regardless of whether the lessor disposes of the lease containing the payoff balance pursuant to a prearranged agreement, on a recourse basis, or otherwise.

[Acts 1979, ch. 203, § 19; 1999, ch. 40, § 1.]

**47-14-121. Interest on judgments — Rate. —**

Interest on judgments, including decrees and municipal court judgments, shall be computed at the effective rate of ten percent (10%) per annum, except as may be otherwise provided or permitted by statute; provided, that where a judgment is based on a note, contract, or other writing fixing a rate of interest within the limits provided in § [47-14-103](#) for that particular category of transaction, the judgment shall bear interest at the rate so fixed.

[Acts 1979, ch. 203, § 20; 1981, ch. 263, § 1; 2008, ch. 655, § 1.]

**47-14-122. Interest on judgments — Computation. —**

Interest shall be computed on every judgment from the day on which the jury or the court, sitting without a jury, returned the verdict without regard to a motion for a new trial.

[Acts 1979, ch. 203, § 21.]

**47-14-123. Prejudgment interest. —**

Prejudgment interest, i.e., interest as an element of, or in the nature of, damages, as permitted by the statutory and common laws of the state as of April 1, 1979, may be awarded by courts or juries in accordance with the principles of equity at any rate not in excess of a maximum effective rate of ten percent (10%) per annum; provided, that with respect to contracts subject to § [47-14-103](#), the maximum effective rates of prejudgment interest so awarded shall be the same as set by that section for the particular category of

transaction involved. In addition, contracts may expressly provide for the imposition of the same or a different rate of interest to be paid after breach or default within the limits set by § [47-14-103](#).

[Acts 1979, ch. 203, § 22.]

**47-14-124. Rates fixed by other statutes. —**

Where any existing statute of this state fixes a rate of interest, but does not do so in terms of a maximum effective rate, the rate so fixed shall be the maximum effective rate for obligations covered thereby.

[Acts 1979, ch. 203, § 23.]

**47-14-125. Compliance with federal Consumer Credit Protection Act. —**

(a) Compliance with the requirements of the Consumer Credit Protection Act, being Public Law 90-321; 82 Stat. 146 et seq., commonly referred to as the federal “Truth in Lending Act,” shall be deemed compliance with any requirements of the statutes of Tennessee relating to the disclosure of information in connection with credit transactions.

(b) A credit transaction which is deemed in compliance with the statutes of Tennessee pursuant to subsection (a) shall also be deemed to be a credit transaction which is specifically authorized under the laws of this state and the United States for purposes of application of § [47-18-111](#)(a)(1) to any action brought under the provisions of title [47](#), chapter 18, part 1, with respect to disclosure or lack of disclosure of information in connection with such credit transaction.

[Acts 1969, ch. 235, § 1; T.C.A. § [47-14-119](#); Acts 2001, ch. 162, § 1.]

**Part 2 — Interest on Home Loans  
[Transferred]**

[47-14-201 — 47-14-204. \[Transferred.\]](#)