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The New York Fair Consumer Judgment Interest Act Goes Into Effect April 30 – Will It Decrease Lenders' Interest in Consumer Lending?

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On April 30, 2022, bill S5724.A/A.6474A, referred to as the Fair Consumer Judgment Interest Act (FCJIA) goes into effect in New York. The law, which was signed by Governor Hochul on December 31, 2021, modifies Section 5004 of New York Civil Practice Law and Rules, and applies to all consumer debts, including but not limited to consumer credit transactions. This is the first time since 1981 that the interest rate on money judgments involving consumer debt has been lowered.

Once in effect, the FCJIA will reduce the statutory post-judgment interest rate from 9.0% to 2.0%. Notably, the reduced interest rate will not only apply to judgments entered on or after April 30, 2022, but will also apply retroactively to any portion of a judgment entered before the effective date that is unpaid as of the effective date.

For purposes of the rate limitation, the FCJIA defines "consumer debt" as "any obligation or alleged obligation of any natural person to pay money arising out of a transaction in which the money, property, insurance or services which are the subject of the transaction are primarily for personal, family or household purposes, whether or not such obligation has been reduced to judgment, including, but not limited to, a consumer credit transaction, as defined in subdivision (f) of section one hundred five of this chapter."

The definition of "consumer credit transaction" in Section 105(f) is "a transaction wherein credit is extended to an individual and the money, property, or service which is the subject of the transaction is primarily for personal, family or household purposes."

While the purported goal of the law is to remedy hardships on consumers caused by the statutory judgment interest rate, unintended consequences may be felt by consumers should lenders be less inclined to extend credit to them given this and other recent changes in consumer protection law in the State of New York.

Please note that this is a general overview of developments in the law and does not constitute legal advice. Nothing herein creates an attorney-client relationship between the sender and recipient. If you have questions regarding this new law, or any other aspect of debt collection, please contact Jocelyn E. Lupetin at 516.296.9109.

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