

## INFORMATION SHEET FOR CALCULATING INTEREST AND AMOUNT OWED ON A JUDGMENT

### What can the judgment creditor recover?

Under California law, the amount recoverable by a judgment creditor (the party to whom money is owed) includes:

- 1 The total amount of the judgment entered by the court (principal), plus costs;
- 1 Costs after judgment under Code of Civil Procedure section 685.070; and
- 1 Accrued interest on the total amount.

### Costs After Judgment

A judgment creditor is entitled to reimbursement for the “reasonable and necessary” costs of enforcing a judgment. These costs must be reported to the court within two years of the date incurred. The judgment amount includes costs ordered by the court after the judgment. (For information on recovering costs and a detailed list of costs that can be recovered, see Code of Civil Procedure sections 685.040, 685.050 et seq., 685.070(b), and 685.090; see also “Requesting Costs and Interest” below).

### Accrued Interest (See Code Civ. Proc., §§ 685.010, 685.020(a), and Cal. Const., art. XV, § 1.)

Interest accrues on the unpaid principal of a judgment at the following legal rates:

- 1 The rate of interest is 10% per year unless one of the following lower interest rates applies.
- 1 The rate of interest is 7% per year if the judgment debtor (the party who owes the money) is a state or local government entity.
- 1 The rate of interest is 5% per year if the judgment debtor is a natural person and the judgment meets all of the following requirements:
  - o The judgment was entered or renewed after January 1, 2023.
  - o The judgment is on a claim related to either personal debt (and the unpaid principal amount is under \$50,000) or medical expenses (and the unpaid principal amount is under \$200,000).
  - o The judgment is not based on tortious or fraudulent conduct or for unpaid wages, damages, or penalties owed to an employee.

For judgments renewed after January 1, 2023, the 5% interest rate applies only to unpaid principal remaining after renewal. Note, for judgments that otherwise meet the above requirements and are renewed after January 1, 2023, the interest rate will change from 10% to 5% for any remaining unpaid principal if the unpaid principal has fallen below the above amounts.

Interest generally accrues from the date the judgment is entered. Interest begins to accrue on the amount of costs added to a judgment from the date ordered by the court or from the date costs are allowed following expiration of the time to object. If the judgment is payable in installments, interest accrues from the date each installment is due. On renewal of a judgment, unpaid interest that has accrued is added to the principal of the judgment and interest begins to accrue on the total renewed amount on the day the renewed judgment is entered.

### Requesting Costs and Interest

To have costs and interest added to the enforceable amount owed, the judgment creditor must file and serve *Memorandum of Costs After Judgment* (form MC-012). On that form, the judgment creditor must include the exact amount of all costs and accrued interest. This means the judgment creditor is responsible for calculating the amount of interest that accrues on the judgment. It is useful to update this calculation after receiving payments.

### Crediting Payments Received

Any payments received by the judgment creditor must be “credited” in a specific order. (Code Civ. Proc., § 695.220.) After specific costs go directly to the levying officer and to the court for fees, the judgment creditor is required to credit payments received first toward *accrued interest* and then toward the *judgment principal* (including costs approved by the court after entry of the judgment).

## Calculation of Interest on Judgment and Amount Due

The following are various formulas and examples to assist with the calculation of interest on a judgment using both a 5% and a 10% interest rate.

### Calculating the Total Amount Due, Including Interest, on the date of payment, if there have been no prior payments or credits

**Step 1:** Calculate the daily interest on a judgment. This is the amount of interest earned per day on a judgment. To calculate the daily interest, use the following formula:

**Formula:** (Total amount of judgment owed)  $\times$  (applicable interest rate) = interest earned per year. That number divided by 365 = amount of daily interest.

**Example:** Judgment debtor owes the judgment creditor \$5,000 (the “judgment principal”).

5% Interest Rate	10% Interest Rate
$\$5,000 \times 0.05 = \$250$ $\$250/365 = \$0.69$ daily interest  The amount of interest earned will be \$0.69 per day as long as the unpaid amount remains \$5,000.	$\$5,000 \times 0.10 = \$500$ $\$500/365 = \$1.37$ daily interest  The amount of interest earned will be \$1.37 per day as long as the unpaid amount remains \$5,000.

**Step 2:** Count the total number of days that have passed since the court entered the final judgment up to the day of payment. Then calculate the amount of interest owed on the date of payment using the following formula.

**Formula:** (Total number of days since judgment was entered)  $\times$  (amount of interest per day, calculated in Step 1) = amount of interest owed on the date of payment.

**Example:** A \$5,000 judgment was entered on June 1 and the judgment debtor paid the judgment on September 8; 100 days from the entry of the judgment have passed.

5% Interest Rate	10% Interest Rate
The daily interest is \$0.69 (see above). $\$0.69$ per day $\times$ 100 days = \$69 interest owed on the date of payment  The judgment debtor owes \$69 in interest on the principal of \$5,000 on the date of payment.	The daily interest is \$1.37 (see above). $\$1.37$ per day $\times$ 100 days = \$137 interest owed on the date of payment.  The judgment debtor owes \$137 in interest on the principal of \$5,000 on the date of payment.

**Step 3:** Add the amount of interest that has accrued to the amount of the judgment.

5% Interest Rate	10% Interest Rate
$\$5,000$ judgment + \$69 interest = \$5,069  The judgment debtor owes a total of \$5,069 on the 100th day after the court entered judgment.	$\$5,000$ judgment amount + \$137 interest = \$5,137  The judgment debtor owes a total of \$5,137 on the 100th day after the court entered judgment.

**Crediting partial payments and recalculating the amount due**

If the judgment debtor does not pay all that is owed at one time, the partial payments the debtor makes are credited to the interest *first* and then to the judgment amount (the principal) owed.

**Example:** The judgment principal is \$5,000. After 200 days, the judgment debtor pays \$1,000.

**Step 1: Calculate the amount of interest owed on the date of payment**

5% Interest Rate	10% Interest Rate
The daily interest is \$0.69 (see above). \$0.69 per day $\times$ 200 days = \$138 interest owed on the date of payment	The daily interest is \$1.37 (see above). \$1.37 per day $\times$ 200 days = \$274 interest owed on the date of payment.

**Step 2: Apply payment to interest**

5% Interest Rate	10% Interest Rate
The judgment debtor paid \$1,000, which first must be used to credit the \$138 of accrued interest.  That leaves a balance of \$862 (\$1,000 - \$138 = \$862) to be credited toward the \$5,000 principal.	The judgment debtor paid \$1,000, which first must be used to credit the \$274 of accrued interest.  That leaves a balance of \$726 (\$1,000 - \$274 = \$726) to be credited toward the \$5,000 principal.

**Step 3: Apply remainder to principal**

5% Interest Rate	10% Interest Rate
The remaining credit of \$862 is applied to the judgment principal. The judgment debtor now owes \$4,138 on the judgment principal (\$5,000 - \$862 = \$4,138).	The remaining credit of \$726 is applied to the judgment principal. The judgment debtor now owes \$4,274 on the judgment principal (\$5,000 - \$726 = \$4,274).

**Step 4: Calculate the new daily interest rate**

5% Interest Rate	10% Interest Rate
\$4,138 (new principal) $\times$ 5% = \$206.90 interest per year \$206.90/365 days = \$0.57 interest earned per day	\$4,274 (new principal) $\times$ 10% = \$427.40 interest per year \$427.40/365 days = \$1.17 interest earned per day

**Example:** After 100 days, the judgment debtor makes a second payment of \$500. (Recalculate using steps 1-4.)

5% Interest Rate	10% Interest Rate
<b>Amount of accrued interest over 100 days:</b> 100 days $\times$ \$0.57 daily interest = \$57 total interest	<b>Amount of accrued interest over 100 days:</b> 100 days $\times$ \$1.17 daily interest = \$117 total interest
<b>\$500 payment credited to interest first:</b> \$500 payment - \$57 interest = \$443 remaining	<b>\$500 payment credited to interest first:</b> \$500 payment - \$117 interest = \$383 remaining
<b>Remainder credited to principal:</b> \$4,138 principal - \$443 remainder = \$3,695 new principal	<b>Remainder credited to principal:</b> \$4,274 principal - \$383 remaining = \$3,891 new principal
<b>Calculate new daily interest:</b> \$3,695 $\times$ 5% = \$184.75/365 = \$0.51 interest per day	<b>Calculate new daily interest:</b> \$3,891 $\times$ 10% = \$389.10/365 = \$1.07 interest per day