

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 includes:

- ┆ The total amount of the judgment entered by the court (principal), plus costs;
- ┆ Costs after judgment under Code of Civil Procedure section 685.070; and
- ┆ 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 an unpaid judgment amount at the legal rate of 10% per year (7% if the judgment debtor is a state or local government entity) generally from the date of entry of the judgment. 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. (Code Civ. Proc., § 685.070(d).) Also, upon renewal of a judgment, interest begins to accrue on the day the renewed judgment is entered. If the judgment is payable in installments, interest accrues from the date each installment is due.

Requesting Costs and Interest

To have costs and interest added to the enforceable amount owed, the judgment creditor must file and serve a *Memorandum of Costs After Judgment* (form MC-012). On this 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

Following are various formulas and examples to assist with the calculation of interest on a judgment using a 10% interest rate:

┆ Calculating Daily Interest on a Judgment Using 10% Interest Rate

Following is the formula for figuring out the amount of interest earned per day on a judgment.

Formula: Total amount of judgment owed x 10% (or 0.10) = interest earned per year.

Divide that number by 365 = daily interest earned.

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

$$\$5,000 \times 0.10 = \$500$$

$$\$500/365 = \$1.37 \text{ daily interest}$$

The amount of interest earned will be \$1.37 per day as long as the unpaid amount remains \$5,000.

Calculating the Total Amount Due, Including Interest, on the date of payment

Step 1: Calculate the amount of interest owed on the date of payment. This amount will equal the daily interest rate calculated above, multiplied by the number of days since the court entered the final judgment.

1. Figure out the total number of days that have passed since the court entered the final judgment up to the day of payment.
2. Multiply the total days by the amount of daily interest. The result is the amount of interest owing on the day of payment.

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

The daily interest is \$1.37 (see above calculation).

$\$1.37 \text{ per day} \times 100 \text{ 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 2: Add the amount of interest that has accrued to the amount of the judgment.

$\$5,000 \text{ judgment amount} + \$137 \text{ interest} = \$5,137$.

The judgment debtor owes a total of \$5,137 on the 100th day after the court entered the 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: Judgment principal of \$5,000.

First Payment: After 200 days, the judgment debtor pays \$1,000

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

Following the above example: $\$1.37 \text{ per day} \times 200 \text{ days}$. After 200 days, \$274 in interest will have accrued on the \$5,000 judgment ($200 \text{ days} \times \1.37 per day).

Step 2: Apply payment to interest

The debtor paid \$1,000, which must first be used to credit the \$274 of accrued interest.

That leaves a balance of \$726 to be credited toward the \$5,000 principal ($\$1,000 - \$274 = \726).

Step 3: Apply remainder to principal

The remaining credit of \$726 is applied to the \$5,000 judgment principal ($\$5,000 - \$726 = \$4,274$).

The judgment debtor now owes \$4,274 on the judgment principal.

Step 4: Calculate the new daily interest rate

Daily interest would then accrue at a rate of \$1.17/day.

$\$4,274 \times 10\% = \427.40 interest earned per year.

$\$427.40/365 = \1.17 interest earned per day.

Second Payment: After 100 days, a payment of \$500 is made (calculate using steps 1–4)

1. The amount of interest that accrues in the next 100 days:
 $100 \text{ days} \times \$1.17 = \$117$.
2. The payment of \$500 must first be credited towards the interest of \$117, leaving a balance of \$383 to be credited against the principal ($\$500 - \$117 = \$383$).
3. The credit of \$383 is then subtracted from the judgment principal of \$4,274, leaving an unpaid balance of \$3,891.
4. The new daily interest would then accrue on the principal going forward at a rate of \$1.07/day:
 $\$3,891 \times 10\% = \$389.10/365$.