

#72

2/23/73

First Supplement to Memorandum 73-16

Subject: Study 72 - Liquidated Damages

One of the policy questions discussed at the last meeting was whether the late payment charge should apply to the entire payment (including amounts for taxes, assessments, and insurance purposes) or should be limited to principal and interest only.

The attached bill should be of interest in this connection.

Respectfully submitted,

John H. DeMouilly  
Executive Secretary

**Introduced by Senator Nejedly**

**February 13, 1973**

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*An act to add Section 2924e to the Civil Code, relating to real property.*

**LEGISLATIVE COUNSEL'S DIGEST**

SB 233, as introduced, Nejedly. Real property mortgages. Provides any provision in any note secured by a deed of trust or mortgage on real property, used exclusively as a residence, for the payment of a delinquency charge upon default in any payment of taxes, assessments, or insurance premiums, or for a payment of such a charge for any purpose other than principal or interest on the obligation, is invalid.

Applicable only to notes secured by deeds of trust or mortgages executed on or after January 1, 1974.

Vote: majority. Appropriation: no. Fiscal committee: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 2924e is added to the Civil Code,  
2 to read:  
3 2924e. Any provision in any note secured by a deed of  
4 trust or mortgage on real property, used exclusively as a  
5 residence, for the payment of a delinquency charge upon  
6 default in any payment of taxes, assessments, or insurance  
7 premiums, or for a payment of such a charge for any  
8 purpose other than principal or interest on the obligation,  
9 is invalid.  
10 SEC. 2. This act shall only apply to notes secured by  
11 deeds of trust or mortgages executed on or after January  
12 1, 1974.

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