

Historical Perspective of Due-on-Sale Clauses under California Law

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Summary

In this research project, I explored the purpose of and the element to decide the effectiveness or enforceability of acceleration clauses in lending transactions. This article is a part of this research project.

The summary of the thesis of this article is as following: Acceleration clauses were purported to use as a tool for the lender to prevent the assumption of the fixed interest loan by the buyer of the mortgaged property in the U. S., under the tight money market during the late 60s and 70s. In those days there was big controversy about whether or not the law should permit the enforceability of the clauses for the purpose. In this controversy, California law once illustrated the opposite idea and finally lost against Federal Law. The reason was that California law was ignored the element of creditors' rational behavior in the particular market situation to decide the enforceability of the clauses.