

**SUBSTITUTE FOR  
HOUSE BILL NO. 6191**

A bill to amend 1950 (Ex Sess) PA 27, entitled  
"Motor vehicle sales finance act,"  
by amending sections 2, 13, and 18 (MCL 492.102, 492.113, and  
492.118), section 2 as amended by 2013 PA 16, section 13 as amended  
by 2009 PA 231, and section 18 as amended by 2002 PA 699.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 2. As used in this act:

2       (a) "Administrator" means the director of the department of  
3 insurance and financial services.

4       (b) "Cash price" means the price measured in dollars at which  
5 a seller of a motor vehicle would in good faith sell to the buyer  
6 or to any other buyer under like circumstances, and the buyer would  
7 in good faith buy from the seller, the motor vehicle that is the



1 subject matter of an installment sale contract if the sale were a  
2 sale for cash instead of an installment sale.

3 (c) "Collateral security" means security, other than a  
4 security interest in a motor vehicle that is the subject of an  
5 installment sale contract, that is given to secure performance of  
6 an obligation of the buyer, or of any surety or guarantor for the  
7 buyer, under an installment sale contract. The term includes the  
8 undertakings of any surety or guarantor for the buyer and any  
9 interest in, encumbrance on, or pledge of real or personal property  
10 other than the motor vehicle that is the subject of the installment  
11 sale contract.

12 (d) "Down payment" means all partial payments, whether made in  
13 cash or otherwise, received by or for the benefit of the seller  
14 before or substantially contemporaneous with either the execution  
15 of the installment sale contract or the delivery of the motor  
16 vehicle sold under that contract, whichever occurs later.

17 (e) "Finance charge" means that term as defined in section 106  
18 of the truth in lending act, 15 USC 1605.

19 (f) "Financial institution" means a state or national  
20 chartered bank, a state or federal chartered savings and loan  
21 association, or a state or federal chartered credit union.

22 (g) "Holder" means a seller or other person that is currently  
23 entitled to the rights of a seller under an installment sale  
24 contract.

25 (h) "Installment buyer" or "buyer" means a person that buys,  
26 hires, or leases a motor vehicle for personal, family, or household  
27 use, and not for commercial, business, or agricultural use, under  
28 an installment sale contract or a legal successor in interest to  
29 that person.



1 (i) "Installment sale contract" or "contract" means an  
2 agreement for the retail sale of a motor vehicle, or that has a  
3 similar purpose or effect, under which part or all of the price is  
4 payable in 2 or more scheduled payments subsequent to the making of  
5 the agreement or under which the obligor undertakes to make 2 or  
6 more scheduled payments or deposits that can be used to pay part or  
7 all of the purchase price, whether or not the seller has retained a  
8 security interest in the motor vehicle or has taken collateral  
9 security for the buyer's obligation, and any extension, deferment,  
10 renewal, or other revision of that agreement. The terms include a  
11 loan, mortgage, conditional sale contract, purchase-money chattel  
12 mortgage, hire-purchase agreement, or agreement for the bailment or  
13 leasing of a motor vehicle under which the hire-purchaser, the  
14 bailee, or the lessee agrees to pay as compensation a sum  
15 substantially equivalent to or in excess of the value of the motor  
16 vehicle, and any other form of agreement that has a similar purpose  
17 or effect. The terms do not include a sale or contract for sale on  
18 an open book account in which the seller has not retained or taken  
19 a security interest in the motor vehicle sold or collateral  
20 security for the buyer's obligation, the buyer is not required to  
21 pay any sum other than the cash price of the motor vehicle sold in  
22 connection with the sale or extension of credit, and the buyer is  
23 obligated to pay for the motor vehicle in full within 90 days after  
24 the time the sale or contract for sale was made.

25 (j) "Installment seller" or "seller" means a person engaged in  
26 the business of selling, offering for sale, hiring, or leasing  
27 motor vehicles under installment sale contracts or a legal  
28 successor in interest to that person. As used in this subdivision,  
29 "business" does not include an isolated sale.



1 (k) "Licensed financial institution" means a financial  
2 institution issued a license under this act.

3 (l) "Licensee" means a person issued a license under this act  
4 as an installment seller or a sales finance company and whose  
5 license has not expired or been surrendered or revoked, and in the  
6 plural means a person or persons licensed under 1 or both of these  
7 2 classifications. The term includes a licensed financial  
8 institution.

9 (m) "Motor vehicle" means a self-propelled device by which a  
10 person or property may be transported upon a public highway or,  
11 subject to subparagraph (iv), a recreational vehicle. The term does  
12 not include any of the following:

13 (i) A tractor, motorcycle, trailer, semitrailer, or power  
14 shovel.

15 (ii) Road machinery, agricultural machinery, or other machinery  
16 not designed primarily for highway transportation but that  
17 incidentally transports persons or property on a public highway.

18 (iii) A device that moves upon or is guided by a track or  
19 travels through the air.

20 (iv) A recreational vehicle that does not have its own motive  
21 power; is sold by a person engaged solely in the business of  
22 selling, offering for sale, hiring, or leasing recreational  
23 vehicles that do not have their own motive power; and is sold  
24 pursuant to a retail installment contract or retail charge  
25 agreement that meets the requirements of the retail installment  
26 sales act, 1966 PA 224, MCL 445.851 to 455.873.

27 (n) "Person" means an individual, partnership, association,  
28 corporation, limited liability company, governmental entity, or any  
29 other legal entity.



1 (o) "Principal amount financed" means the unpaid cash price  
2 balance after deducting the down payment, adding the cost of any  
3 insurance premiums required or obtained as security for or by  
4 reason of the sale of a motor vehicle under an installment sale  
5 contract, and adding other costs necessary or incidental to the  
6 sale of the motor vehicle under the contract that the seller  
7 contracts to pay on behalf of the buyer and for the amount of which  
8 the seller agrees to extend credit to the buyer and for which the  
9 buyer contracts voluntarily.

10 (p) "Public sale" means a public sale after advertisement of  
11 each motor vehicle in at least 2 successive publications in a  
12 newspaper having general circulation in the village, city, or  
13 township in which the sale is to be held. The advertisement ~~shall~~  
14 **must** disclose the place where the motor vehicle is stored and may  
15 be inspected, the date, time, and place of the sale, and the make,  
16 model, and serial number of the vehicle.

17 (q) "Recreational vehicle" means a recreational vehicle, as  
18 that term is defined in section 49a of the Michigan vehicle code,  
19 1949 PA 300, MCL 257.49a, except a park model trailer as defined in  
20 section 38a of the Michigan vehicle code, 1949 PA 300, MCL 257.38a.

21 (r) "Retail sale" means a sale of a motor vehicle for use by a  
22 buyer or for the benefit or satisfaction that the buyer may derive  
23 from the use of the motor vehicle by another.

24 (s) "Sales finance company" means a person engaged as a  
25 principal, agent, or broker in the business of financing or  
26 soliciting the financing of installment sale contracts made between  
27 other parties, and in the business of acquiring, investing in, or  
28 lending money or credit on the security of the retail seller's  
29 interest in those contracts whether by discount, purchase, or



1 assignment of those contracts, or otherwise. The term includes a  
2 licensee or other person who as a seller finances installment sale  
3 contracts for other sellers or sales finance companies. The term  
4 includes a licensed financial institution. The term does not  
5 include any of the following:

6 (i) A person, financial institution, or sales finance company  
7 that takes an assignment of or an interest in an aggregation of  
8 installment sale contracts only as security for bona fide  
9 commercial loans under which, in the absence of default or other  
10 bona fide breach of the loan contract, ownership of the contracts  
11 remains vested in the assignor and collection of payments on the  
12 contracts is made by the assignor.

13 (ii) A person who purchases installment sale contracts from a  
14 sales finance company or from a licensed financial institution.

15 (t) "Security interest" means a property right in a motor  
16 vehicle that is the subject of an installment sale contract, if the  
17 right is retained to secure performance of an obligation of the  
18 buyer under that contract. The term includes a lien or encumbrance  
19 against the motor vehicle, a mortgage interest in the motor  
20 vehicle, and a reservation of title to the motor vehicle, whether  
21 or not expressed to be absolute, if the title is in substance  
22 retained only for security.

23 (u) **"Subscription service" means any service related to a**  
24 **motor vehicle or the motor vehicle financing that a buyer agrees to**  
25 **purchase, including, but not limited to, autonomous vehicle**  
26 **software programs, navigation services, safety services, and any**  
27 **updates.**

28 (v) ~~(u)~~ "Time balance" means the sum of the principal amount  
29 financed and the finance charge.



1       Sec. 13. (1) An installment sale contract ~~shall~~**must** include  
 2       the full names and addresses of all the parties to the contract,  
 3       the date when signed by the buyer, and a description of the motor  
 4       vehicle sold that is sufficient for accurate identification.

5       (2) An installment sale contract ~~shall~~**must** set forth all of  
 6       the following separate items in the following order:

7       (a) The cash price of the motor vehicle. This amount ~~shall~~  
 8       **must** include any taxes, the cash price of agreed upon accessories  
 9       and installation of the accessories, the cash price of any extended  
 10      warranty or service contract, **the cash price of any subscription**  
 11      **service**, and a documentary preparation fee. The documentary  
 12      preparation fee ~~shall~~**must** not exceed 5% of the cash price of the  
 13      motor vehicle or \$160.00, whichever is less. Beginning on January  
 14      1, 2005, the administrator shall adjust the maximum amount then in  
 15      effect for the documentary preparation fee described in this  
 16      subdivision every 2 years to reflect the cumulative percentage  
 17      change in the ~~consumer price index~~**Consumer Price Index** for the 2  
 18      immediately preceding calendar years, as determined by the  
 19      administrator. The administrator shall round the adjustment to the  
 20      nearest \$10.00 increment to set the fee every 2 years under this  
 21      subdivision, but shall carry over and use the absolute value to  
 22      calculate the next 2-year adjustment. As used in this subdivision,  
 23      ~~"consumer price index"~~**"Consumer Price Index"** means the United  
 24      States ~~consumer price index~~**Consumer Price Index** for all urban  
 25      consumers, U.S. city average, as defined and reported by the United  
 26      States ~~department of labor, bureau of labor statistics~~**Department**  
 27      **of Labor, Bureau of Labor Statistics.**

28      (b) The down payment made by the buyer at the time of or  
 29      before execution of the contract, indicating whether made in cash,



1 represented by the agreed value of a trade-in motor vehicle or  
2 other goods, or both. The amount of cash and the value of any  
3 trade-in ~~shall~~**must** be stated separately. A description that is  
4 sufficient for identification of any trade-in ~~shall~~**must** be  
5 included.

6 (c) The unpaid cash price balance ~~, which~~**that** is the  
7 difference between the cash price under subdivision (a) and the  
8 down payment under subdivision (b).

9 (d) The cost of any insurance premium or travel emergency  
10 benefits pertaining to the operation of the automobile that the  
11 seller agrees to extend credit to the buyer to obtain. The  
12 installment sale contract ~~shall~~**must** set forth the term of the  
13 insurance and a concise description of the terms of the insurance  
14 policy and the travel emergency benefits. If the precise cost of  
15 the insurance is not available at the time the contract is signed,  
16 an estimated amount, ascertained from the current published  
17 applicable manual of a recognized standard insurance rating bureau,  
18 may be set forth in the contract. Within 25 days after making the  
19 installment sale contract, the seller shall mail or cause to be  
20 mailed to the buyer at his or her address as shown on the contract  
21 a certificate or policy of insurance and a statement showing the  
22 exact cost of the insurance. Each installment sale contract ~~shall~~  
23 **must** contain the following warning, printed prominently in red ink  
24 and in 12-point type or larger, directly preceding the notice  
25 provided for in section 12(d), enclosed by a continuous heavy line:

26  
27 \_\_\_\_\_  
28 Warning: The insurance afforded hereunder does not cover  
29 liability for injury to persons or damage to property of  
others unless so indicated hereon.





1  
2 (e) The cost of any guaranteed asset protection waiver that  
3 the seller agrees to extend credit to the buyer to obtain. For  
4 purposes of this subdivision, all of the following apply:

5 (i) "Guaranteed asset protection waiver" means that term as  
6 defined in section 3 of the guaranteed asset protection waiver act,  
7 **2009 PA 229, MCL 492.23.**

8 (ii) A guaranteed asset protection waiver may be included as  
9 part of, or as an addendum to, an installment sale contract.

10 (iii) An installment seller that offers, sells, or provides  
11 guaranteed asset protection waivers to installment buyers in this  
12 state must comply with the guaranteed asset protection waiver act,  
13 **2009 PA 229, MCL 492.21 to 492.33.**

14 (iv) Any cost to an installment buyer for a guaranteed asset  
15 protection waiver entered into in compliance with the truth in  
16 lending act, 15 USC 1601 to 1667f, and the regulations promulgated  
17 under that act, 12 CFR part 226, must be separately stated and is  
18 not considered a finance charge or interest.

19 (f) Other necessary or incidental costs that the seller  
20 contracts to pay on behalf of the buyer and for the amount of which  
21 the seller agrees to extend credit to the buyer as authorized under  
22 this act. The contract ~~shall~~**must** contain an itemization of the  
23 nature and amount of the costs.

24 (g) The principal amount financed ~~, which that~~ is the total of  
25 the amounts described in subdivisions (c), (d), (e), and (f).

26 (h) The finance charge ~~, which that~~ is the consideration in  
27 excess of the total of the cash price under subdivision (a),  
28 excluding the amounts described in subdivisions (d), (e), and (f).

29 (i) The time balance ~~, which that~~ is the total of the amounts



1 described in subdivisions (g) and (h) and represents the total  
2 obligation of the buyer that he or she agrees to pay in 2 or more  
3 scheduled payments.

4 (j) The payment schedule ~~, which shall~~ **that must** include the  
5 number of payments, the amount of the payments, and the time of the  
6 payments required to liquidate the time balance.

7 (3) An installment sale contract ~~shall~~ **must** state clearly any  
8 collateral security given to secure the buyer's obligation under  
9 the contract.

10 (4) An installment sale contract ~~shall~~ **must** contain a summary  
11 notice of the buyer's principal legal rights respecting prepayment  
12 of the contract and rebate of the finance charge and reinstatement  
13 of the contract in the event of repossession.

14 (5) An installment sale contract ~~shall~~ **must** contain specific  
15 provisions concerning the buyer's liability for default charges,  
16 repossession, and sale of the motor vehicle in case of default or  
17 other breach of contract, and the seller's or holder's rights  
18 concerning any collateral security.

19 Sec. 18. (1) A seller licensed under this act may charge the  
20 buyer a finance charge on any installment sale contract covering  
21 the retail sale of a motor vehicle in this state. The finance  
22 charge ~~shall~~ **must** not exceed the rate permitted by the credit  
23 reform act, 1995 PA 162, MCL 445.1851 to 445.1864.

24 (2) The seller shall compute the finance charge on the  
25 principal amount financed as determined under section  
26 ~~13(2)(f)~~ **13(2)(g)** .

27 (3) The seller shall compute the finance charge at the annual  
28 rates permitted by subsection (1) on installment sale contracts  
29 that are payable by installment payments, extending for a period of



1 1 year. On installment sale contracts providing for installment  
2 payments extending for a period that is less than or greater than 1  
3 year, the seller shall compute the finance charge proportionately.  
4 If an installment sale contract provides for payment other than in  
5 equal successive weekly, semimonthly, or monthly installments, the  
6 finance charge may be at a rate that will provide the same annual  
7 percentage rate as is permitted on monthly payment contracts  
8 considering the schedule of payments in the contract. The seller  
9 shall disclose the annual percentage rate of the installment sales  
10 contract in accordance with disclosure requirements of the truth in  
11 lending act, ~~title I of the consumer credit protection act, Public~~  
12 ~~Law 90-321, 15 U.S.C. USC 1601 to 1608, 1610 to 1613, 1615, 1631 to~~  
13 ~~1635, 1637 to 1648, and 1661 to 1667e, 1667f,~~ and the regulations  
14 promulgated under ~~the truth in lending~~ **that** act.

15 (4) The seller may compute the finance charge on the basis of  
16 a full month for a fractional month period in excess of 10 days.

17 (5) A seller may charge a minimum finance charge of \$15.00 on  
18 an installment sale contract in which the finance charge, when  
19 computed at the rates indicated, results in a total charge of less  
20 than \$15.00.

