

Act No. 27
Public Acts of 1990
Approved by the Governor
March 13, 1990
Filed with the Secretary of State
March 13, 1990

**STATE OF MICHIGAN
85TH LEGISLATURE
REGULAR SESSION OF 1990**

Introduced by Reps. Bennett and Middaugh

ENROLLED HOUSE BILL No. 5259

AN ACT to amend section 13 of Act No. 27 of the Public Acts of the First Extra Session of 1950, entitled as amended "An act defining and regulating certain installment sales of motor vehicles; prescribing the conditions under which such sales may be made and regulating the financing thereof; regulating and licensing persons engaged in the business of making or financing such sales; prescribing the form, contents and effect of instruments used in connection with such sales and the financing thereof; prescribing certain rights and obligations of buyers, sellers, persons financing such sales and others; limiting charges in connection with such instruments and fixing maximum interest rates for delinquencies, extensions and loans; regulating insurance in connection with such sales; regulating reposessions, redemptions, resales and deficiency judgments and the rights of parties with respect thereto; authorizing extensions, loans and forbearances related to such sales; authorizing investigations and examinations of persons engaged in the business of making or financing such sales; transferring certain powers and duties with respect to finance companies to the commissioner of the financial institutions bureau; and prescribing penalties," being section 492.113 of the Michigan Compiled Laws.

The People of the State of Michigan enact:

Section 1. Section 13 of Act No. 27 of the Public Acts of the First Extra Session of 1950, being section 492.113 of the Michigan Compiled Laws, is amended to read as follows:

Sec. 13. (1) Every installment sale contract shall state the full names and addresses of all the parties to the contract, the date when signed by the buyer and shall contain a description of the motor vehicle sold sufficient for accurate identification.

(2) An installment sale contract shall set forth all of the following separate items in the following order:

1. Cash price of the motor vehicle. This amount shall include any taxes and costs of agreed upon accessories and installation of the accessories and documentary preparation fees. The documentary preparation fees shall not exceed \$40.00.

2. Down payment made by the buyer at the time of or before execution of the contract, indicating whether made in cash, or represented by the agreed value of a "trade-in" motor vehicle, or other goods, or both. The amount of cash and the value of any "trade-in" shall be shown separately. A description of the "trade-in", if any, sufficient for identification shall be shown.

3. Unpaid cash price balance, which shall be the difference between the cash price (item 1) and the down payment (item 2) above.

4. Insurance premiums and costs of travel emergency benefits pertaining to the operation of the automobile for the payment of which the seller agrees to extend credit to the buyer. The term of the insurance, a concise description of the coverage, and the travel emergency benefits shall be set forth. If the precise cost of the insurance is not available at the time the contract is signed, an estimated amount, ascertained from the current

published applicable manual of a recognized standard insurance rating bureau may be set forth in the contract. The seller shall, within 25 days after making the installment contract, mail or cause to be mailed to the buyer at his or her address as shown on the installment contract a certificate or policy of insurance and a statement, showing exact cost of the insurance. All installment sale contracts shall contain the following warning, which shall be printed prominently in red ink and in 12-point type or larger, directly preceding the notice provided for in section 12(d), and shall be enclosed by a continuous heavy line:

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

5. Other costs, necessary or incidental, which the seller contracts to pay on behalf of the buyer and for the amount of which the seller agrees to extend credit to the buyer as authorized by this act. The costs shall be itemized in the contract as to nature and amount.

6. Principal amount financed, which shall be the total of the unpaid cash price balance (item 3) plus the insurance premium and travel emergency benefit costs (item 4) plus other costs (item 5) for which the seller agrees to extend credit to the buyer.

7. Finance charge, which is the consideration in excess of the cash price (item 1), excluding insurance premium and travel emergency benefit costs (item 4) and other costs (item 5), which the buyer agrees to pay to the seller for the privilege of purchasing the motor vehicle under the installment sale contract.

8. Time balance, which shall be the total of the principal amount financed (item 6) plus the finance charge (item 7) and which shall represent the total obligation of the buyer which he or she agrees to pay in 2 or more scheduled payments.

9. Payment schedule, which shall state the number of payments, the amount of the payments and the time of the payments required to liquidate the time balance.

(3) An installment sale contract shall state clearly any collateral security taken for the buyer's obligation under the contract.

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

(5) An installment sale contract shall contain specific provisions as to the buyer's liability respecting default charges, repossession, and sale of the motor vehicle in case of default or other breach of contract, and respecting the collateral security, if any.

This act is ordered to take immediate effect.

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Clerk of the House of Representatives.

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Secretary of the Senate.

Approved.....

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Governor.