

SENATE BILL No. 111

February 19, 1991, Introduced by Senator CRUCE and referred to the Committee on Commerce.

A bill to amend the title and sections 1, 2, 4, 7, 8, 10, 11, 12, 12a, 13, 13a, 14, 18, 19, and 21 of Act No. 21 of the Public Acts of 1939, entitled as amended "Regulatory loan act of 1963," section 1 as amended by Act No. 162 of the Public Acts of 1988 and section 11 as amended by Act No. 103 of the Public Acts of 1983, being sections 493.1, 493.2, 493.4, 493.7, 493.8, 493.10, 493.11, 493.12, 493.12a, 493.13, 493.13a, 493.14, 493.18, 493.19, and 493.21 of the Michigan Compiled Laws; and to repeal certain parts of the act.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. The title and sections 1, 2, 4, 7, 8, 10, 11,
2 12, 12a, 13, 13a, 14, 18, 19, and 21 of Act No. 21 of the Public
3 Acts of 1939, section 1 as amended by Act No. 162 of the Public
4 Acts of 1988 and section 11 as amended by Act No. 103 of the

1 Public Acts of 1983, being sections 493.1, 493.2, 493.4, 493.7,
2 493.8, 493.10, 493.11, 493.12, 493.12a, 493.13, 493.13a, 493.14,
3 493.18, 493.19, and 493.21 of the Michigan Compiled Laws, are
4 amended to read as follows:

5 TITLE

6 An act to define and regulate the business of making regula-
7 tory loans; to permit the licensing of persons engaged in that
8 business; to authorize licensees to make charges at a greater
9 rate than unlicensed lenders; to prescribe maximum rates of
10 charge which licensees are permitted to make; ~~to regulate the~~
11 ~~advertising of the business of making regulatory loans;~~ to
12 authorize credit life insurance and to permit charges for that
13 insurance; to prohibit assignments of wages or salaries, earned
14 or to be earned, when given as security for a loan or as consid-
15 eration for a payment of a regulatory loan; to provide for the
16 administration of this act and for the promulgation of rules; to
17 authorize the making of examinations and investigations and the
18 publication of reports of examinations and investigations; to
19 provide for a review of decisions and findings of the commis-
20 sioner of the financial institutions bureau under this act; and
21 to prescribe penalties.

22 Sec. 1. (1) A person shall not engage in the business of
23 making loans of money, credit, goods, or things in action in an
24 amount or of a value included within the regulatory loan ceiling
25 and charge, contract for, or receive on the loan a greater rate
26 of interest, discount, or consideration than the lender would be
27 permitted by law to charge if the lender were not a licensee

1 except as authorized by this act and without first obtaining a
2 license from the commissioner for each location at which the
3 business is to be conducted under this act, or by obtaining a
4 license under the consumer financial services act, ACT NO. 161 OF
5 THE PUBLIC ACTS OF 1988, BEING SECTIONS 487.2051 TO 487.2072 OF
6 THE MICHIGAN COMPILED LAWS.

7 (2) As used in this act:

8 (a) "Person" includes individuals, partnerships, associa-
9 tions, and corporations unless the context requires a different
10 meaning.

11 (b) "Licensee" means a person, partnership, association, or
12 corporation to whom or which 1 or more licenses have been
13 issued.

14 (c) "License" means a single license issued with respect to
15 a single place of business.

16 (d) "Liquid assets" means cash, unrestricted deposits in
17 banks, and readily marketable securities at their then market
18 value.

19 (e) "Assets" means cash, unrestricted deposits in banks,
20 readily marketable securities at their then market value, col-
21 lectible loans made in accordance with this act and personal
22 property acquired in the general conduct of business transacted
23 under this act.

24 (f) "Regulatory loan ceiling" means ~~-\$3,000.00-~~ \$15,000.00.

25 (g) "Commissioner" means the commissioner of the financial
26 institutions bureau of the department of commerce.

1 (h) "Advertising" means publishing or broadcasting, or
2 causing to be published or broadcast, material which has been
3 prepared for public distribution by means of newspapers, maga-
4 zines, or electronic media. Advertising does not include a
5 stockholder communication, such as an annual report, interim
6 financial report, registration statement, security, prospectus,
7 application for listing a security on a stock exchange, or proxy
8 materials, nor does it include a communication addressed to a
9 person who has previously executed a loan agreement relative to
10 that person's account.

11 ~~(i) "Promotional plan" means a detailed outline of the sub-~~
12 ~~stantive content and theme of a licensee's advertising. It may~~
13 ~~include scripts, preliminary layouts, and content outlines which~~
14 ~~accurately convey the general substance of the advertising that~~
15 ~~will be based on the promotional plan.~~

16 Sec. 2. (1) Application for each ~~such~~ license shall be in
17 writing, under oath, and in the form prescribed by the commis-
18 sioner, and shall contain the name and the address, ~~(~~ both of
19 the residence and place of business, ~~)~~ of the applicant, ~~and~~
20 if the applicant is a copartnership or association, of every
21 member, ~~thereof,~~ and if a corporation, of each officer and
22 director; ~~thereof,~~ also the county and municipality with street
23 and number, if any, where the business is to be conducted and
24 ~~such~~ ALL further relevant information as the commissioner may
25 require. ~~Such~~ THE applicant at the time of making each ~~such~~
26 application shall pay to the commissioner the sum of ~~\$150.00~~
27 \$300.00 as a fee for investigating the application and the

1 additional sum of \$250.00 as an annual license fee ~~and in full~~
2 ~~payment of all expenses for examinations under and for adminis-~~
3 ~~tration of this act~~ for a period terminating on December 31 of
4 the current calendar year. If the application is filed after
5 June 30 in any year ~~such~~ THE additional sum shall be only
6 \$150.00 as ~~such~~ THE license fee in addition to the fee for
7 investigation.

8 (2) Every applicant shall also prove, in form satisfactory
9 to the commissioner, that he or ~~it~~ SHE has available for the
10 operation of ~~such~~ THE business at the location specified in the
11 application, liquid assets of at least \$50,000.00.

12 Sec. 4. (1) Upon the filing of ~~such~~ THE application,
13 ~~and~~ the payment of ~~such~~ THE fees, and the approval of ~~such~~
14 THE bond, the commissioner shall investigate the facts and if he
15 ~~shall find (a)~~ OR SHE FINDS that the financial responsibility,
16 experience, character, and general fitness of the applicant,
17 ~~and~~ of the members ~~thereof~~ if the applicant is a copartner-
18 ship or association, and of the officers and directors ~~thereof~~
19 if the applicant is a corporation ~~—~~ are such as to command the
20 confidence of the community and to warrant belief that the busi-
21 ness will be operated lawfully, honestly, fairly, and efficiently
22 within the purposes of this act ~~—~~ and ~~(b) that allowing such~~
23 ~~applicant to engage in business will promote the convenience and~~
24 ~~advantage of the community in which the business of the applicant~~
25 ~~is to be conducted, and (c)~~ that the applicant has available for
26 the operation of ~~such~~ THE business at the specified location
27 liquid assets in the amounts specified in section 2, ~~(—~~ the

1 foregoing facts being conditions precedent to the issuance of a
2 license under this act, ~~→~~ he OR SHE shall ~~thereupon~~ issue
3 and deliver a license to the applicant to make loans in accord-
4 ance with the provisions of this act at the location specified in
5 the application, which license shall remain in full force and
6 effect until it is surrendered by the licensee or revoked or
7 suspended. ~~→if~~ IF the commissioner ~~shall not so find~~ FINDS
8 THAT THE APPLICANT FAILS TO MEET THE REQUIREMENTS OF THIS
9 SECTION, he OR SHE shall not issue ~~such~~ A license and ~~he~~
10 shall notify the applicant of the denial and return to the appli-
11 cant the bond and the sum paid by the applicant as a license fee,
12 retaining the ~~-\$150.00~~ \$300.00 investigation fee to cover the
13 costs of investigating the application. The commissioner shall
14 approve or deny every application for license within 60 days from
15 the APPLICATION'S filing ~~thereof~~ with the fees and the approved
16 bond.

17 (2) If the application is denied, the commissioner shall
18 within 20 days ~~thereafter~~ FROM THE DATE OF DENIAL file with the
19 financial institutions bureau a written transcript of evidence
20 and a decision and findings with respect ~~thereto~~ TO THE DENIAL
21 containing the evidence and the reasons supporting the denial ~~→~~
22 and ~~forthwith~~ SHALL serve upon the applicant a copy ~~thereof~~
23 OF THE FILING.

24 Sec. 7. (1) ~~Not~~ NO more than 1 place of business shall be
25 maintained under the same license but the commissioner may issue
26 more than 1 license to the same licensee upon compliance with all

1 the provisions of this act governing an original issuance of a
2 license for each ~~such~~ new license.

3 (2) ~~Whenever~~ IF a licensee desires to change a licensed
4 place of business to a street address other than that designated
5 in the license, he OR SHE shall give written notice ~~thereof~~ to
6 the commissioner who shall ~~investigate the facts and, if he~~
7 ~~shall find that allowing the licensee to engage in business in~~
8 ~~the new location will promote the convenience and advantage of~~
9 ~~the community in which the licensee desires to conduct his busi-~~
10 ~~ness, he shall~~ indicate his OR HER approval of the change and
11 the date ~~thereof~~ by the issuance of a new license which shall
12 be authority for the operation of the business under the license
13 at the new location. ~~If the commissioner shall not so find he~~
14 ~~shall deny the licensee permission to change the location of the~~
15 ~~place of business, in the manner specified and subject to the~~
16 ~~provisions contained in the last paragraph of section 4. No~~
17 ~~change in a place of business of a licensee to a location outside~~
18 ~~of the original county shall be permitted under the same~~
19 ~~license.~~

20 (3) The licensee at the time of giving written notice to
21 change the street address or change the name of the licensee
22 shall pay to the commissioner the sum of \$10.00.

23 Sec. 8. Every licensee, on or before ~~each~~ December 22 OF
24 EACH YEAR, shall pay to the commissioner the sum of \$250.00 for
25 each license held by him OR HER, as an annual license fee, ~~and~~
26 ~~in full payment of all expenses for examinations under and for~~
27 ~~administration of this act for the next succeeding calendar year~~

1 and at the same time file with the commissioner a bond for each
2 license held by him OR HER in the same amount and of the same
3 character as required by section 3. This section shall not apply
4 to any licensee who shall surrender his OR HER license and dis-
5 continue the business of making loans as authorized by this act.

6 Sec. 10. (1) For the purpose of discovering violations of
7 this act or securing information lawfully required by him OR HER
8 hereunder, the commissioner may at any time, either personally or
9 by a person or persons duly designated by him OR HER, investigate
10 the loans and business and examine the books, accounts, records,
11 and files used therein, of every licensee and of every person who
12 or which shall be engaged in the business described in section 1
13 of this act, whether ~~such~~ THE person shall act or claim to act
14 as principal or agent, or under or without the authority of this
15 act. For that purpose the commissioner and his OR HER duly des-
16 ignated representatives shall have and be given free access to
17 the offices and places of business, books, accounts, papers,
18 records, files, safes, and vaults of all such persons. The com-
19 missioner and all persons duly designated by him OR HER shall
20 have authority to require the attendance of and to examine under
21 oath all persons whomsoever whose testimony ~~he~~ THE COMMISSIONER
22 may require relative to such loans or such business or to the
23 subject matter of any examination, investigation, or hearing.

24 ~~At least once a year the commissioner shall make such an~~
25 ~~examination of the affairs, business, office, and records of each~~
26 ~~licensee insofar as they pertain to any business licensed under~~
27 ~~this act.~~

1 (2) AT LEAST ONCE DURING EVERY 2-YEAR PERIOD, THE
2 COMMISSIONER SHALL MAKE INVESTIGATIONS AND EXAMINE THE BOOKS,
3 ACCOUNTS, RECORDS, AND FILES OF A LICENSEE. A LICENSEE SHALL PAY
4 A FEE FOR AN EXAMINATION OF ITS RECORDS CONDUCTED BY THE COMMIS-
5 SIONER AT A RATE OF NOT LESS THAN \$20.00 PER HOUR OR MORE THAN
6 \$40.00 PER HOUR FOR EACH EXAMINER ENGAGED IN AN EXAMINATION OR AT
7 A RATE OF 20 CENTS PER OPEN ACCOUNT, WHICHEVER IS LESS. THE
8 EXAMINATION FEE SHALL NOT BE LESS THAN \$150.00.

9 (3) THE EXAMINATION FEE SHALL BE INVOICED UPON THE COMPLE-
10 TION OF THE EXAMINATION AND SHALL BE DUE AND PAYABLE UPON RECEIPT
11 OF THE INVOICE BY THE LICENSEE. A LICENSEE SHALL NOT BE REQUIRED
12 TO PAY FOR MORE THAN 1 EXAMINATION FEE IN A CALENDAR YEAR.

13 (4) THIS SECTION SHALL NOT BE CONSTRUED TO PROHIBIT THE
14 KEEPING OF RECORDS BY ELECTRONIC DATA PROCESSING METHODS.

15 (5) THE COMMISSIONER MAY MAINTAIN A CAUSE OF ACTION IN THE
16 COURT OF CLAIMS TO RECOVER ANY FEES A LICENSEE FAILS TO PAY.

17 (6) ALL FEES COLLECTED UNDER THIS SECTION SHALL BE PAID INTO
18 THE STATE TREASURY AND CREDITED TO THE FINANCIAL INSTITUTIONS
19 BUREAU.

20 Sec. 11. (1) The licensee shall keep and use in the
21 licensee's business the books, accounts, and records the commis-
22 sioner may require in order to determine whether the licensee is
23 complying with the provisions of this act and with the rules
24 promulgated by the commissioner pursuant to this act. The
25 licensee shall preserve within this state and make accessible to
26 the commissioner, the books, accounts, and records, including
27 cards used in the card system, if any, for at least 2 years after

1 making the final entry on any loan recorded in the books,
2 accounts, and records. BOOKS AND ACCOUNTS MAY BE KEPT AT A LOCA-
3 TION OTHER THAN THE LICENSEE'S PRINCIPAL PLACE OF BUSINESS, PRO-
4 VIDED THAT THEY ARE MADE AVAILABLE TO THE COMMISSIONER UPON
5 REQUEST.

6 (2) The licensee shall FILE, annually on or before February
7 15 ~~—file—~~ OF EACH YEAR, with the commissioner its financial
8 statement in a uniform format prescribed by the ~~—department—~~
9 COMMISSIONER, including information on earnings, for the prior
10 fiscal year.

11 (3) The licensee shall FILE, on or before ~~February 15,~~
12 ~~1984~~ MARCH 15, 1990, and every third year thereafter, ~~file~~ a
13 report with the commissioner giving ~~such~~ ALL relevant informa-
14 tion as the commissioner reasonably may require concerning the
15 business and operations during the preceding 3-year period of
16 each licensed place of business conducted by the licensee within
17 this state.

18 (4) ~~The report~~ ALL REPORTS shall be made under oath and
19 shall be in the form prescribed by the commissioner.

20 (5) ~~—(4)—~~ The commissioner shall make and publish annually
21 an analysis and recapitulation of the reports filed pursuant to
22 subsections (2) and (3).

23 Sec. 12. (1) A licensee or other person shall not adver-
24 tise, print, display, publish, distribute, or broadcast or cause
25 or permit to be advertised, printed, displayed, published, dis-
26 tributed, or broadcast, in any manner whatsoever a false,
27 misleading, or deceptive statement or representation with regard

1 to the rates, terms, or conditions for the lending of money,
2 credit, goods, or things in action in an amount or of a value
3 included within the regulatory loan ceiling at a greater rate of
4 charge than lenders not licensed ~~hereunder~~ UNDER THIS ACT would
5 be permitted by law to make; or, in the case of a licensee, any
6 statement or representation which refers to the supervision of
7 the business by this state or a department or official ~~thereof~~
8 OF THIS STATE except with the approval of the commissioner. The
9 commissioner may order a licensee to desist from conduct which
10 the commissioner finds is a violation of this section.

11 (2) The commissioner may require that rates of charge, if
12 stated by a licensee, be stated fully and clearly in a manner the
13 commissioner considers necessary to prevent misunderstanding by
14 prospective borrowers.

15 (3) A licensee shall not take a lien upon real estate as
16 security for a loan made under this act, except a lien acquired
17 by execution or otherwise after the entry of a judgment.

18 (4) A licensee shall not conduct the business of making
19 loans under this act within an office, room, suite, or place of
20 business in which any other business is solicited or engaged in,
21 or in association or conjunction ~~therewith~~ WITH THE BUSINESS,
22 if the commissioner finds, after 5 days' written notice and after
23 a hearing that the other business is of such a nature that the
24 conduct has concealed or facilitated evasion of this act or of
25 the general rules lawfully made ~~hereunder~~ UNDER THIS ACT, and
26 shall order the licensee in writing to desist from that conduct,
27 but the order shall not be made by the commissioner unless the

1 commissioner finds that the other business has been so conducted
2 at that particular location that it has concealed or facilitated
3 evasion of this act.

4 (5) A licensee shall not transact business or make a loan
5 provided for by this act under any other name or at any other
6 place of business within this state than that named in the
7 license, unless it is A LOAN BY MAIL OR IS also an office of the
8 licensee duly licensed under this act.

9 (6) A licensee shall not take a confession of judgment or a
10 power of attorney to appear or to confess judgment on behalf of a
11 borrower. A licensee shall not take a note or evidence of
12 indebtedness that does not accurately disclose the actual amount
13 of the loan, the time for which it is made, and the agreed rate
14 of charge, ~~nor~~ OR an instrument in which blanks are left to be
15 filled in after execution.

16 (7) A licensee shall not discriminate against a person in
17 the extension of credit on the basis of sex or marital status.

18 Sec. 12a. (1) False, misleading, deceptive, or irresponsi-
19 ble advertising is unlawful and is defined as follows:

20 (a) Advertising which lures, entices, induces, or tends to
21 induce a person to incur a debt by unreasonably minimizing the
22 consequences of assuming a legal repayment obligation or by
23 depicting the assumption of a debt obligation as a frivolous
24 transaction.

25 (b) Advertising that describes or depicts the benefits or
26 advantages of having the money from a loan, without describing or
27 depicting the obligation of repaying the loan with interest.

1 (c) Advertising with claims and representations that are not
2 accurate or provable.

3 (d) Advertising which misrepresents facts or creates mis-
4 leading impressions.

5 (e) Advertising which contains a statement which, though
6 true, implies an untruth.

7 (f) Advertising which uses the phrase "lowest rates",
8 "lowest rates in the city", or similar phrases unless the rates
9 are actually lower than those of other lenders.

10 (g) Advertising which uses the phrase "new reduced rates",
11 "new low rates", "reduced rates", or similar phrases for more
12 than 60 days after the changed rates become effective.

13 (h) Advertising which causes a probability of confusion or
14 misunderstanding as to the legal rights, obligations, or remedies
15 of a lender, or as to the terms or conditions of credit.

16 (i) Advertising which represents that a borrower will
17 receive a rebate, discount, or other benefit as an inducement for
18 entering into a transaction, if the benefit is contingent on an
19 event to occur subsequent to the consummation of the
20 transaction.

21 (j) Advertising which suggests or infers that a loan is not
22 a loan, or that interest is not charged, or that the borrower is
23 not under an obligation to repay.

24 (2) A licensee shall not advertise any size of loan, secur-
25 ity required for a loan, rate of charge, or other condition of
26 lending except with the full intent of making loans at those

1 rates, or lower rates, and under those conditions, to applicants
2 who meet the standards or qualifications prescribed.

3 ~~(3) A licensee who advertises aggregate, combination or~~
4 ~~graduated rates shall first state the higher rate applicable to a~~
5 ~~portion of the loan and shall give the highest rate equal promi-~~
6 ~~nence with the lower rate applicable to the remainder of the~~
7 ~~loan.~~

8 Sec. 13. (1) A licensee may lend money in an amount not to
9 exceed the regulatory loan ceiling and may contract for, COMPUTE,
10 and receive interest charges on the loan ~~to be computed~~
11 ~~monthly. The monthly interest charge shall not exceed 1/12 of~~
12 ~~either of the following:~~ AT A RATE NOT TO EXCEED 22% PER ANNUM
13 ON THE UNPAID BALANCE.

14 ~~(a) A combination of 31% per year of the portion of the~~
15 ~~unpaid principal balance amounting to \$500.00 or less, and 13%~~
16 ~~per year of the portion of the unpaid principal balance in excess~~
17 ~~of \$500.00 but not in excess of the regulatory loan ceiling. The~~
18 ~~interest rate authorized by this subdivision shall not apply to a~~
19 ~~loan secured by a motor vehicle 2 or less model years old.~~

20 ~~(b) Eighteen percent per year of the unpaid principal bal-~~
21 ~~ance not in excess of the regulatory loan ceiling.~~

22 ~~(2) A licensee shall not induce or permit a borrower to~~
23 ~~split up or divide a loan. A licensee shall not induce or permit~~
24 ~~a person to become obligated, directly or contingently, or both,~~
25 ~~under more than 1 contract of loan at the same time, for the pur-~~
26 ~~pose or with the result of obtaining a higher rate of charge than~~
27 ~~would otherwise be permitted by this section.~~

1 (2) ~~-(3) Charges~~ INTEREST CHARGES on loans made under this
2 act shall not be paid, deducted, or received in advance, or
3 compounded. All charges on loans made under this act shall be
4 computed ~~and paid only as a percentage per month of~~ ON the
5 unpaid principal balance or portions ~~thereof,~~ OF THE BALANCE,
6 shall be so expressed in every obligation signed by the borrower,
7 ~~and~~ and shall be computed on the basis of the number of days
8 actually elapsed. ~~, for the purpose of which computations a~~
9 ~~month shall be any period of 30 consecutive days.~~

10 (3) ~~-(4)~~ In addition to the INTEREST AND charges provided
11 for in this act, a LOAN PROCESSING FEE OF \$25.00 MAY BE CHARGED
12 FOR EACH LOAN MADE, AND MAY BE INCLUDED IN THE PRINCIPAL OF THE
13 LOAN. IF A LICENSEE PERMITS OR INDUCES A BORROWER TO SPLIT UP OR
14 DIVIDE A LOAN, THE LICENSEE MAY CHARGE THE BORROWER ONLY ONE
15 \$25.00 PROCESSING FEE. EXCEPT FOR PREMIUMS FOR CREDIT LIFE
16 INSURANCE, NO further or other amount shall ~~not~~ be directly or
17 indirectly charged, contracted for, or received, except the
18 lawful fees, if any, actually and necessarily paid out by the
19 licensee to a public officer, for filing, ~~or~~ recording, or
20 releasing in a public office a financing statement, an instrument
21 securing the loan, or both, and for noting and releasing a lien
22 or transferring a certificate of title under THE MICHIGAN VEHICLE
23 CODE, Act No. 300 of the Public Acts of 1949, as amended, being
24 sections 257.1 to 257.923 of the Michigan Compiled Laws, which
25 fees may be collected when the loan is made, or at any time
26 thereafter.

1 (4) IN ADDITION TO A HANDLING FEE OF \$5.00, A LICENSEE MAY
2 CHARGE AN AMOUNT EQUAL TO THE ACTUAL CHARGE MADE TO THE LICENSEE
3 BY A DEPOSITORY INSTITUTION FOR THE RETURN OF AN UNPAID AND DIS-
4 HONORED CHECK, DRAFT, NEGOTIABLE ORDER, OR SIMILAR INSTRUMENT
5 GIVEN TO THE LICENSEE IN FULL OR PARTIAL REPAYMENT OF A LOAN.

6 (5) If an amount other than or in excess of the charges per-
7 mitted by this act is charged, contracted for, or received, other
8 than by a bona fide clerical error, ~~the contract of loan shall~~
9 ~~be void and~~ the licensee shall not have a right to collect or
10 receive any ~~principal, charges, or recompense whatsoever~~
11 INTEREST.

12 Sec. 13a. ~~At~~ IN ADDITION TO THE INTEREST CHARGES AUTHO-
13 RIZED BY THIS ACT, AT the option of the borrower, a licensee may
14 obtain or provide credit life insurance on the life of ~~1~~ THE
15 borrower, ~~but only 1 of them if there are 2 or more obligors~~
16 CO-BORROWER, OR BOTH, pursuant to THE CREDIT INSURANCE ACT, Act
17 No. 173 of the Public Acts of 1958, as amended, being sections
18 550.601 to 550.624 of the Michigan Compiled Laws, and may deduct
19 from the principal of a loan and retain an amount equal to the
20 premium lawfully charged by the insurance company. The insurance
21 permitted by this section shall be in force when the loan is
22 made. If the borrower obtains the insurance from or through a
23 licensee, the statement required by section 14 shall show the
24 cost ~~thereof~~ OF THE INSURANCE, and the licensee shall cause to
25 be delivered to the borrower a copy of the policy, certificate or
26 other evidence of the insurance. This act shall not prohibit the
27 licensee or any employee, affiliate, subsidiary, or associate of

1 the licensee from collecting the premium or identifiable charge
2 for life insurance permitted by this section and from receiving
3 and retaining any gain or other benefit resulting from the
4 insurance. A licensee shall not require the purchase of ~~such~~
5 insurance as a condition precedent to the making of a loan.

6 Sec. 14. A licensee shall:

7 (a) Deliver to the borrower ~~, or to 1 of them if there are~~
8 ~~2 or more, at the time a loan is made a statement upon which~~
9 ~~there shall be printed a copy of section 13 in the English lan-~~
10 ~~guage showing in clear and distinct terms the amount and date of~~
11 ~~the loan and of its maturity, the nature of the security, if any,~~
12 ~~for the loan, the name and address of the borrower and of the~~
13 ~~licensee, and the agreed rate of charge~~ A DISCLOSURE STATEMENT
14 IN COMPLIANCE WITH REGULATION Z, 12 C.F.R. PART 226.

15 (b) Give to the borrower a plain and complete receipt for
16 payments made on account of a loan at the time the payments are
17 made, specifying the amount applied to charges and the amount, if
18 any, applied to principal, and stating the unpaid principal bal-
19 ance, if any, of the loan. An unitemized receipt may be given
20 temporarily and within 30 days a receipt as prescribed above
21 delivered or mailed. A RECEIPT SHALL BE GIVEN TO THE BORROWER
22 FOR CASH PAYMENTS.

23 (c) Permit payment to be made in advance in any amount on
24 any contract of loan at any time during regular business hours,
25 but the licensee may apply that payment first to all charges in
26 full at the agreed rate up to the date of the payment.

1 (d) Upon repayment of the loan in full, mark plainly every
2 obligation and security signed by the borrower with the word
3 "Paid" or "Canceled", and release any mortgage, restore any
4 pledge, cancel and return any note, and cancel and return any
5 assignment given to the licensee by the borrower.

6 (e) Display in each licensed place of business a full and
7 accurate schedule of the maximum charges authorized by this act
8 to be made upon loans of all classes and the method of computing
9 the ~~same~~ CHARGES.

10 Sec. 18. (1) A person, except as authorized by this act,
11 shall not directly or indirectly charge, contract for, or receive
12 an interest, discount, or consideration greater than the lender
13 would be permitted by law to charge if the lender were not
14 licensed under this act upon the loan, use, or forbearance of
15 money, goods, or things in action, or upon the loan, use, or sale
16 of credit of the amount or value included within the regulatory
17 loan ceiling.

18 (2) The prohibition specified in subsection (1) shall apply
19 to a person who or which, by any device, subterfuge, or pretense
20 whatsoever shall charge, contract for, or receive greater inter-
21 est, consideration, or charges than authorized by this act for
22 the loan, use, or forbearance of money, goods, or things in
23 action or for the loan, use, or sale of credit.

24 (3) A PERSON WHO ENTERS INTO A loan of the amount or value
25 included within the regulatory loan ceiling for which a greater
26 rate of interest, consideration, or charges than is permitted by
27 this act ~~has been~~ IS charged, contracted for, or received,

1 ~~wherever made, shall not be enforced in this state~~ EXCEPT AS A
2 RESULT OF ACCIDENTAL OR BONA FIDE ERROR, SHALL BE BARRED FROM
3 RECOVERY OF ANY INTEREST. A person who participates in ~~such~~ a
4 loan in this state shall be subject to this act. ~~However, this~~
5 THIS restriction shall not apply to loans legally made in a state
6 or country by a licensee under an existing regulatory loan law
7 similar in principle to this act, except that loans made by mail
8 to Michigan residents shall be subject to this act.

9 Sec. 19. (1) A person and the several members, officers,
10 directors, agents, and employees thereof, who violate or partici-
11 pate in the violation of ~~sections~~ SECTION 1, 12, 13, 14, or 18
12 are guilty of a misdemeanor, punishable by a fine of not more
13 than \$500.00, or imprisonment of not more than 6 months, or
14 both.

15 (2) ~~Any~~ A PERSON WHO ENTERS INTO ANY contract of loan not
16 invalid for any other reason, in the making or collection of
17 which an act is done which constitutes a misdemeanor under this
18 section, except a bona fide clerical error, ~~shall be void and~~
19 ~~the lender~~ shall not have a right to collect or receive any
20 ~~principal, interest. , or charges.~~

21 Sec. 21. (1) ~~The~~ IN ADDITION TO THE PROVISIONS OF THIS
22 ACT, THE commissioner may make rules, specific rulings, demands,
23 and findings for the enforcement of this act, ~~in addition to~~
24 ~~this act~~ but WHICH SHALL not BE inconsistent with this act.
25 Rules shall be filed by the commissioner with the financial
26 institutions bureau in an indexed, permanent book, with the
27 effective date of the rules suitably indicated, and the book

1 shall be a public record. A copy of a rule promulgated pursuant
2 to this act shall be mailed by the commissioner to all licensees
3 under this act at their respective licensed places of business at
4 least 10 days before the effective date of that rule.

5 (2) Fees received by the commissioner under this act shall
6 be deposited in the state treasury to the credit of the ~~general~~
7 ~~fund~~ FINANCIAL INSTITUTIONS BUREAU, AND THE MONEY IN THIS
8 ACCOUNT SHALL BE USED FOR THE OPERATION OF THE BUREAU.

9 Section 2. Sections 12b, 23, and 26 of Act No. 21 of the
10 Public Acts of 1939, being sections 493.12b, 493.23, and 493.26
11 of the Michigan Compiled Laws, are repealed.

12 Section 3. This amendatory act shall take effect October 1,
13 1991.