



HOUSE BILL No. 4729

May 6, 1993, Introduced by Rep. Keith and referred to the Committee on Business and Finance.

A bill to amend section 22 of Act No. 125 of the Public Acts of 1981, entitled as amended

"An act to define and regulate secondary mortgage loans and other unsecured loans; to prescribe powers and duties of the financial institutions bureau and certain state agencies; to provide for the establishment of a financial institutions bureau operations fund; to provide for the promulgation of rules; and to provide for civil fines and penalties,"

being section 493.72 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 22 of Act No. 125 of the Public Acts of
2 1981, being section 493.72 of the Michigan Compiled Laws, is
3 amended to read as follows:

4 Sec. 22. (1) Other charges and fees shall not be made,
5 directly or indirectly, in connection with the making of a sec-
6 ondary mortgage loan, except FOR the following, which may be
7 included in the principal of the loan:

1 (a) Reasonable fees or premiums ~~which~~ THAT are the actual
2 expenses incurred by the licensee for title insurance, abstract
3 of title, or title examination.

4 (b) Reasonable fees ~~which~~ THAT are the actual expenses
5 incurred by the licensee for an appraisal.

6 (c) Fees and charges prescribed by law ~~which~~ THAT are paid
7 to a public official for determining the existence of, or for
8 perfecting, releasing, or satisfying any security related to the
9 loan.

10 (d) Charges for credit life insurance ~~or another form of~~
11 ~~decreasing term life insurance~~ OR CREDIT ACCIDENT AND HEALTH
12 INSURANCE AS DEFINED IN THE CREDIT INSURANCE ACT, ACT NO. 173 OF
13 THE PUBLIC ACTS OF 1958, BEING SECTIONS 550.601 TO 550.624 OF THE
14 MICHIGAN COMPILED LAWS, OR ANY OTHER INSURANCE PURSUANT TO THE
15 INSURANCE CODE OF 1956, ACT NO. 218 OF THE PUBLIC ACTS OF 1956,
16 BEING SECTIONS 500.100 TO 500.8302 OF THE MICHIGAN COMPILED LAWS,
17 THAT IS offered by the licensee ~~with~~ AND purchase ~~only~~ IS at
18 the option of the borrower.

19 (e) A NONREFUNDABLE processing fee ~~which~~ THAT is
20 ~~nonrefundable, of~~ not more than 2% of the gross amount of the
21 loan, but ~~—~~ not more than \$200.00.

22 (2) Upon request, a licensee shall provide to a borrower or
23 potential borrower ~~—~~ a good faith estimate of the total of all
24 charges permitted under subsection (1) ~~—~~ and state the interest
25 rate at which secondary mortgage loans are being made at the time
26 of the request. A licensee shall indicate that the charges and
27 rates quoted are estimates. A good faith estimate and interest

1 rate quote provided pursuant to this subsection shall not be
2 construed as a commitment from the licensee to make a loan ~~or~~ or
3 to make a loan at a particular price.

4 (3) At ~~, or prior to,~~ OR BEFORE the closing of the loan
5 ~~the~~ the lender shall provide an itemized list of the actual
6 charges permitted by subsection (1) ~~which~~ THAT the borrower has
7 paid or is obligated to pay.

8 (4) The borrower ~~shall~~ IS not ~~be~~ required to pay
9 directly or indirectly a commission, finder's fee, or points for
10 the obtaining, procuring, or placing of a secondary mortgage
11 loan. Commissions, finder's fees, or points, if any, shall be
12 paid by the licensee and only to licensed real estate brokers,
13 attorneys at law of this state, or OTHER licensees. An agreement
14 for the payment of a commission, finder's fee, or point, to be
15 enforceable in the courts of this state, shall be in writing,
16 signed by the licensee.

17 (5) Charges shall not be collected for ~~life~~ insurance ~~on~~
18 FINANCED AS PART OF a loan made under this act unless a borrower
19 has voluntarily executed a written authorization on a form
20 approved by the commissioner. The authorization form shall be
21 separate from other loan documents and ~~shall~~ clearly set forth
22 BOTH OF THE FOLLOWING:

23 (a) That the insurance is not required in order to obtain
24 the loan.

25 (b) The cost of the ~~life~~ insurance. ~~premium over the life~~
26 ~~of the loan and the rate of interest that will be charged on the~~
27 ~~life insurance premium as part of the principal.~~

1 ~~(6) Within 5 days after making a loan under this act, a~~
2 ~~licensee shall mail to each borrower who has authorized the pur-~~
3 ~~chase of life insurance a cancellation form approved by the~~
4 ~~commissioner. The form shall clearly set forth in plain language~~
5 ~~the right of a person to cancel the life insurance coverage, how~~
6 ~~to cancel the insurance, and that the principal of the loan will~~
7 ~~be reduced by the amount of the unearned portion of the insurance~~
8 ~~premium if the insurance is canceled. The cancellation form~~
9 ~~shall be accompanied by an envelope addressed to the licensee.~~

10 ~~(7) Life insurance coverage shall be canceled if the~~
11 ~~licensee receives a cancellation form, signed by the borrower,~~
12 ~~within 20 days after the date the loan was made. The principal~~
13 ~~balance of the loan shall be reduced by the amount of the life~~
14 ~~insurance premium financed.~~

15 ~~(8) Life insurance coverage shall be canceled at any time~~
16 ~~after the expiration of the 20 day period specified in subsection~~
17 ~~(7) if the licensee receives written notice from the borrower.~~
18 ~~Upon receipt of a cancellation request, including the policy or~~
19 ~~certificate of insurance, the lender shall reduce the principal~~
20 ~~balance of the loan by that portion of the life insurance premium~~
21 ~~which is unearned, determined on an actuarial basis as of the day~~
22 ~~the request for cancellation was received. Failure to return the~~
23 ~~policy or certificate of insurance shall not negate the~~
24 ~~cancellation.~~

25 ~~(6) (9) Credit life~~ ANY insurance ~~or other form of~~
26 ~~decreasing term life insurance shall be~~ sold by a licensee SHALL
27 BE in accordance with Act No. 218 of the Public Acts of 1956, as

1 amended, being sections 500.100 to 500.8302 of the Michigan
2 Compiled Laws or Act No. 173 of the Public Acts of 1958, being
3 sections 550.601 to 550.624 of the Michigan Compiled Laws.

4 Section 2. This amendatory act shall not take effect unless
5 all of the following bills of the 87th Legislature are enacted
6 into law:

7 (a) House Bill No. 4020.

8 (b) House Bill No. 4021.

9 (c) House Bill No. 4022.

10 (d) Senate Bill No. _____ or House Bill No. 4726
11 (request no. 01837'93 b *).

12 (e) Senate Bill No. _____ or House Bill No. 4727
13 (request no. 02862'93).

14 (f) Senate Bill No. _____ or House Bill No. 4728
15 (request no. 02863'93).