



HOUSE BILL No. 5322

February 8 1994 Introduced by Reps Rhead Randall Gnodtke Middaugh Alley and Kaza and referred to the Committee on Business and Finance

A bill to amend sections 102 204a, 204b 206 209, 301, 303, 305 307 and 309 of Act No 332 of the Public Acts of 1965 entitled as amended

'Home improvement finance act

sections 102 and 206 as amended and sections 204a and 204b as added by Act No 202 of the Public Acts of 1985 and section 301 as amended by Act No 429 of the Public Acts of 1988, being sections 445 1102, 445 1204a 445 1204b 445 1206, 445 1209, 445 1301 445 1303, 445 1305, 445 1307 and 445 1309 of the Michigan Compiled Laws

THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Sections 102, 204a 204b, 206, 209, 301, 303,
2 305 307 and 309 of Act No 332 of the Public Acts of 1965,
3 sections 102 and 206 as amended and sections 204a and 204b as
4 added by Act No 202 of the Public Acts of 1985 and section 301

1 as amended by Act No 429 of the Public Acts of 1988, being
2 sections 445 1102, 445 1204a, 445 1204b, 445 1206 445 1209,
3 445 1301 445 1303, 445 1305, 445 1307, and 445 1309 of the
4 Michigan Compiled Laws, are amended to read as follows

5 Sec 102 As used in this act, except where the context
6 clearly indicates otherwise

7 (a) 'Banking institution means a bank, bank and trust com-
8 pany, trust company savings bank private bank, or a national
9 banking association, organized and doing business under the pro-
10 visions of any law of this state, or of any other state of the
11 United States, or under the provisions of any law of the United
12 States of America

13 (b) 'Cash price" means the cash sales price stated in a home
14 improvement installment contract or the cash sales price of
15 goods and services that are the subject of a home improvement
16 charge sale, for which the contractor would sell or furnish to
17 the buyer and the buyer would buy or obtain from the contractor
18 the goods and services ~~which~~ THAT are the subject of the con-
19 tract or home improvement charge sale, if the sale were a sale
20 for cash, instead of a home improvement installment sale or home
21 improvement charge sale, and may include any taxes

22 (c) "Collateral" means real or personal property subject to
23 a pledge, security interest, mortgage, encumbrance, judgment, or
24 other lien ~~which~~ THAT secures the performance of an obligation
25 of the buyer, or a surety or guarantor for the buyer, under a
26 home improvement installment contract or any extension,
27 deferment, renewal, or other revision ~~thereof~~ OF THE CONTRACT

1 (d) Down payment" means the amounts paid in money and in
 2 goods to the home improvement contractor and allowances given by
 3 the home improvement contractor to the buyer prior to or contem-
 4 poraneous with the execution of a home improvement installment
 5 contract

6 (e) 'Finance charge ~~, "credit service charge", "service~~
 7 ~~charge", "time price differential", or a similar term means that~~
 8 ~~amount by which the time sale price exceeds the aggregate of the~~
 9 ~~cash price and the amounts, if any, included for insurance premi-~~
 10 ~~ums and official fees~~ SHALL HAVE THE SAME MEANING AS IT IS GIVEN
 11 IN THE FEDERAL TRUTH-IN-LENDING ACT, TITLE I OF PUBLIC LAW
 12 90-321 15 U S C 1601 TO 1608 1610 TO 1613, 1615 1631 TO 1635
 13 1637 TO 1638 1640 TO 1647, AND 1661 TO 1667e

14 (f) Financing agency' means a person other than a home
 15 improvement contractor engaged, directly or indirectly, as prin-
 16 cipal, agent, or broker in the business of purchasing acquiring
 17 financing, soliciting or arranging for the financing or acquisi-
 18 tion of home improvement installment contracts or home improve-
 19 ment charge agreements or any obligation in connection
 20 ~~therewith~~ WITH SUCH CONTRACTS OR AGREEMENTS It does not
 21 include a person to the extent that the person makes bona fide
 22 commercial loans to contractors or financing agencies and takes
 23 assignments of, or an interest in, an aggregation of such con-
 24 tracts only as security for ~~such~~ commercial loans under which,
 25 in the absence of default or other bona fide breach of the loan
 26 contract, ownership of ~~such~~ THE contracts remains vested in the

1 assignor and collection of payments on ~~such~~ THE contracts is
2 made by the assignor

3 (g) 'Goods' means chattels ~~which~~ THAT are furnished or
4 used in the modernization, rehabilitation repair, alteration or
5 improvement of real property, but not in the construction of new
6 homes

7 (h) Holder means a person including a contractor cur-
8 rently entitled to the rights of a contractor under a home
9 improvement installment contract or home improvement charge
10 agreement

11 (i) Home improvement charge agreement or agreement means
12 an instrument prescribing the terms of home improvement charge
13 sales, whether secured or unsecured which may be made under the
14 agreement from time to time and under the terms of which a ~~time~~
15 ~~price differential~~ FINANCE CHARGE is to be computed in relation
16 to the buyer s unpaid balance from time to time

17 (j) Home improvement charge sale means the sale of goods
18 and furnishing of services by a contractor to a retail buyer pur-
19 suant to a home improvement charge agreement and as to which sale
20 the cash price is stated to be in excess of \$300 00

21 (k) Home improvement contractor or 'contractor' means a
22 person who sells goods and services or agrees to furnish or
23 render services, to a retail buyer pursuant to a home improvement
24 installment contract, or sells goods and services to a retail
25 buyer pursuant to a home improvement charge agreement but not in
26 connection with construction of new homes

1 (1) Home improvement installment contract or contract
2 means an agreement covering a home improvement installment sale,
3 whether contained in 1 or more documents together with any
4 accompanying promissory note or other evidence of indebtedness
5 pursuant to which the buyer promises to pay in installments all
6 or any part of the time sale price or prices of goods and serv-
7 ices ~~—~~ or services It does not include ~~such an agreement~~

8 ANY OF THE FOLLOWING AGREEMENTS

9 (1) Pertaining to real property used for a commercial or
10 business purpose

11 (11) Covering the sale of goods by a person who neither
12 directly nor indirectly performs or arranges to perform any serv-
13 ices in connection with the installation of or application of the
14 goods

15 (111) Covering only an appliance designed to be
16 free-standing and not built into and permanently affixed as an
17 integral part of the structure such as a stove freezer refrig-
18 erator, air conditioner other than one connected with a central
19 heating system, hot water heater, and the like

20 (1v) Covering the sale of goods and the furnishing of serv-
21 ices or the furnishing of services ~~thereunder~~ UNDER THE
22 AGREEMENT for a cash price stated ~~therein~~ IN THE AGREEMENT of
23 \$300 00 or less

24 (v) If the loan is contracted for or obtained directly by
25 the retail buyer from the lending institution, person, or
26 corporation

(v1) ~~which~~ THAT is a home improvement charge agreement

(m) "Home improvement installment sale" or "sale" means the sale of goods and furnishing of services or the furnishing of services by a contractor to a retail buyer pursuant to a home improvement installment contract in which the cash price is stated to be in excess of \$300 00

(n) Official fees means the fees required by law to be paid to the appropriate public officer for obtaining any permit or filing or recording or releasing any judgment, mortgage or other lien or perfecting any security interest taken or reserved as security in connection with a home improvement installment contract

(o) Person' means an individual, partnership, association, ~~business corporation, banking institution nonprofit corporation, common law trust, joint stock company or any other group of individuals, however organized~~ CORPORATION GOVERNMENTAL ENTITY OR ANY OTHER LEGAL ENTITY

(p) Principal amount financed means the cash price of the goods and services ~~which~~ THAT are the subject matter of the home improvement installment sale minus the amount of the buyer's down payment plus the amounts if any included for insurance and official fees

(q) 'Retail buyer' or 'buyer' means a person who buys goods and services, or services from a contractor pursuant to a home improvement installment contract, or goods and services from a contractor pursuant to a home improvement charge agreement

1 (r) 'Services means work labor and services furnished in
2 connection with the installation or application of goods

3 (s) Time balance" means the sum of the principal amount
4 financed and the finance charge

5 (t) Time sale price means the total of the cash price of
6 the goods and services or services, the finance charge, and the
7 amounts if any included for insurance premiums and official
8 fees

9 Sec 204a (1) On or after ~~the effective date of this~~
10 ~~section~~ DECEMBER 27, 1985, a contractor may enter into a home
11 improvement charge agreement with a retail buyer A home
12 improvement charge agreement shall be in writing and dated and
13 shall be signed by the buyer or the authorized representative of
14 the buyer A copy of a home improvement charge agreement shall
15 be delivered or mailed to the buyer before the date on which the
16 first payment is due under the agreement An acknowledgment by
17 the buyer of delivery of a copy of the agreement contained in the
18 body of the agreement shall be in a size equal to at least
19 10-point bold type and shall appear directly above the buyer s
20 signature or the signature of the authorized representative of
21 the buyer ~~A home improvement charge agreement shall not be~~
22 ~~signed by the buyer when it contains blank spaces of items which~~
23 ~~are essential provisions of the transaction to be filled in after~~
24 ~~it has been signed~~ The buyer's acknowledgment, conforming to
25 the requirements of this section of delivery of a copy of an
26 agreement ~~, shall be~~ IS presumptive proof, in any action or
27 proceeding, of the delivery ~~and that the agreement, when~~

1 ~~signed, did not contain a blank space as provided in this~~

2 ~~subsection~~ A home improvement charge agreement shall state the

3 maximum amount and rate of the ~~time price differential~~ FINANCE

4 CHARGE to be charged and paid pursuant to the agreement A home

5 improvement charge agreement shall contain substantially the fol-

6 lowing notice printed or typed in a size equal to at least

7 10-point bold type Notice to the buyer--Do not sign this

8 agreement before you read it or if it contains blank spaces You

9 are entitled to a copy of the agreement you sign

10 (2) A home improvement charge agreement shall contain sub-

11 stantially the following notice

12 A home improvement charge sale made pursuant to this agree-

13 ment may be rescinded or canceled by the buyer not later than 5

14 p m on the business day following the date of the sale by giving

15 written notice of rescission to the contractor or an agent of the

16 contractor at his or her place of business given in this agree-

17 ment or by mailing the notice of cancellation to the contractor

18 to his or her place of business given in the agreement by depos-

19 iting a properly addressed certified letter in a United States

20 post office or mailbox but if the buyer rescinds after 5 p m on

21 the following business day, the buyer is still entitled to offer

22 defenses in mitigation of damages and to pursue any rights of

23 action or defenses that arise out of the transaction ' The

24 notice required by this subsection shall also be given to the

25 buyer at the time of each purchase under the home improvement

26 charge agreement

1 (3) The buyer under a home improvement charge agreement
 2 shall promptly be supplied with a statement as of the end of each
 3 monthly period which need not be a calendar month or other reg-
 4 ular period agreed upon in writing at the end of which there is
 5 an unpaid balance greater than \$1 00 under the agreement 7
 6 ~~which~~ THE statement shall recite the following

7 (a) The unpaid balance under the home improvement charge
 8 agreement at the beginning and at the end of the period

9 (b) The cash price of each purchase under the home improve-
 10 ment charge agreement by the buyer during the period and, unless
 11 a sales slip or a memorandum of each purchase is attached to the
 12 statement, the purchase or posting date a brief description or
 13 identification of each such purchase

14 (c) The payments made by the buyer and any other credits to
 15 the buyer during the period

16 (d) The amount, if any of any time price differential for
 17 that period

18 (e) A statement to the effect that the buyer at any time may
 19 pay the total unpaid balance or any part of that balance

20 Sec 204b (1) A home improvement charge agreement may pro-
 21 vide for and the contractor or holder may then charge, collect,
 22 and receive a FINANCE CHARGE AS PERMITTED BY THE CONSUMER CREDIT
 23 REFORM ACT ~~time price differential for the privilege of paying~~
 24 ~~in installments under the agreement, in an amount not to exceed~~
 25 ~~+ 2% of the unpaid balance per month. An agreement may further~~
 26 ~~provide that if the interest rate paid at 2 successive auctions~~
 27 ~~of 26 week United States treasury bills is 8% or more, then on a~~

~~1 home improvement charge sale made after that date the time price~~
~~2 differential shall not exceed 1 375% of the unpaid balance per~~
~~3 month, but if the interest rate paid at 2 successive auctions of~~
~~4 26 week United States treasury bills falls below 8%, then the~~
~~5 time price differential on a home improvement charge sale made~~
~~6 after that date shall not exceed 1 2% of the unpaid balance per~~
~~7 month, unless the interest rate paid at 2 successive auctions of~~
~~8 26 week United States treasury bills again is 8% or more, in~~
~~9 which case the time price differential on a home improvement~~
~~10 charge sale made after that date shall not exceed 1 375% of the~~
~~11 unpaid balance per month~~ The ~~time price differential~~ FINANCE
12 CHARGE under this subsection shall be computed on all amounts
13 unpaid under the agreement from month to month, which need not be
14 calendar months or other regular periods A minimum ~~time price~~
15 ~~differential~~ FINANCE CHARGE not in excess of 70 cents per month
16 may be charged, collected and received

17 (2) The ~~time price differential~~ FINANCE CHARGE for pur-
18 chases made under a home improvement charge agreement shall not
19 be computed or imposed on an amount charged for the sale of goods
20 or services until those goods or services have been delivered to
21 the purchaser of the goods or services If the ~~time price~~
22 ~~differential~~ FINANCE CHARGE is charged before delivery of the
23 goods or services, the charges applied before the delivery date
24 shall be adjusted upon the request of the purchaser in accordance
25 with ~~part D of~~ CHAPTER 4 OF THE TRUTH-IN-LENDING ACT, title I
26 of the ~~federal~~ consumer credit protection act, PUBLIC LAW
27 90-321, 15 U S C 1666 to 1666j

1 (3) A change in the rate of the ~~time price differential~~
2 FINANCE CHARGE charged pursuant to a home improvement charge
3 agreement ~~shall~~ DOES not apply to a balance incurred prior to
4 the effective date of the change

5 (4) An extension of credit under a home improvement charge
6 agreement shall not be secured by a lien on the buyer s principal
7 residence

8 (5) A home improvement charge agreement may also provide for
9 the payment of an attorney s reasonable fee where it is referred
10 for collection to an attorney who is not a salaried employee of
11 the holder of the home improvement charge agreement or an unpaid
12 balance under the agreement and for court costs

13 Sec 206 (1) A home improvement installment contract or
14 home improvement charge agreement shall not contain any
15 ~~provision by which~~ OF THE FOLLOWING PROVISIONS

16 (a) The buyer agrees not to assert against a contractor a
17 claim or defense arising out of the home improvement installment
18 sale or a home improvement charge sale or agrees not to assert
19 against an assignee ~~such~~ a claim or defense

20 (b) In the absence of the buyer s default in the performance
21 of any of the buyer s obligations the holder may arbitrarily
22 and without reasonable cause, accelerate the maturity of any or
23 all of the amount owing ~~thereunder~~ UNDER THE CONTRACT

24 (c) The buyer waives any right of action against the con-
25 tractor or holder, or a person acting on his or her behalf, for
26 any illegal act committed in the collection of payments under the
27 contract or agreement

1 (d) The buyer relieves the contractor from liability for any
 2 legal remedies which the buyer may have against the contractor
 3 under the contract or agreement or any separate instrument exe-
 4 cuted in connection with the contract or agreement

5 (e) The contractor ~~or~~ or holder, or a person acting on his
 6 or her behalf is authorized to enter upon the premises of the
 7 buyer unlawfully, or is authorized to commit any breach of the
 8 peace in connection with any repossession or other entry upon the
 9 premises of the buyer

10 ~~(f) The contractor is entitled to liquidated damages for~~
 11 ~~any cancellation, rescission or failure or refusal to accept~~
 12 ~~delivery of the goods or performance of the services covered in~~
 13 ~~the contract or provided pursuant to the agreement~~

14 (2) ~~Any~~ A provision prohibited under subsection (1) is
 15 void but ~~shall~~ DOES not otherwise affect the validity of the
 16 contract or agreement

17 Sec 209 A home improvement installment contract may pro-
 18 vide for the payment by the buyer of a ~~delinquency and collec-~~
 19 ~~tion charge on each installment in default for a period of not~~
 20 ~~less than 10 days in an amount not in excess of 5% of such~~
 21 ~~installment or \$5.00, whichever is less Only 1 such delinquency~~
 22 ~~and collection charge may be collected on any such installment~~
 23 ~~regardless of the period during which it remains in default~~ FEE
 24 FOR A LATE INSTALLMENT PAYMENT AS PERMITTED BY THE CONSUMER
 25 CREDIT REFORM ACT A contract may also provide for the payment of
 26 court costs actually incurred and of attorney's fees not
 27 exceeding 20% of the amount due and payable under ~~such~~ THE

1 contract if the attorney is not a salaried employee of the
2 contractor or holder for collection

3 Sec 301 ~~(1) The maximum finance charge included in a~~ A
4 home improvement installment contract ~~payable in substantially~~
5 ~~equal successive monthly installments beginning 1 month from the~~
6 ~~date the finance charge accrues, shall not exceed \$8 00 per~~
7 ~~\$100 00 per annum. However, on a contract which is entered into~~
8 ~~before December 31, 1991, and which is entered into after the~~
9 ~~interest rate paid at 2 successive auctions of 26 week United~~
10 ~~States treasury bills is 8% or more the finance charge may be~~
11 ~~equivalent to 16 5% interest or less per annum on the unpaid~~
12 ~~balance. If the interest rate paid at 2 successive auctions of~~
13 ~~26 weeks United States treasury bills again falls below 8% the~~
14 ~~finance charge on a contract entered into after that date shall~~
15 ~~not exceed \$8 00 per \$100 00 per annum unless the interest rate~~
16 ~~paid at 2 successive auctions of 26 week United States treasury~~
17 ~~bills again is 8% or more in which case the finance charge may~~
18 ~~be equivalent to 16 5% interest or less per annum on the unpaid~~
19 ~~balance. The finance charge shall be computed on the principal~~
20 ~~amount financed on the contract notwithstanding that the time~~
21 ~~balance is required to be paid in installments. The finance~~
22 ~~charge shall not accrue over a longer period than one which com-~~
23 ~~mences on the date of completion of the contract and ends on the~~
24 ~~date when the final installment is payable. For a period less or~~
25 ~~greater than 12 months or for amounts less or greater than~~
26 ~~\$100 00, the amount of the maximum finance charge shall be~~
27 ~~increased or decreased proportionately. A fractional monthly~~

1 ~~period of 15 days or more may be considered a full month~~ If the
2 ~~finance charge computed as above provided is less than \$12.00, a~~
3 MAY PROVIDE FOR A FINANCE CHARGE NOT TO EXCEED THE RATE OF INTER-
4 EST OF ITS EQUIVALENT AS PERMITTED BY THE CONSUMER CREDIT REFORM
5 ACT A minimum finance charge of \$12.00 may be made

6 ~~(2) Subject to the limitations in subsection (3), if a con-~~
7 ~~tract is payable other than in substantially equal successive~~
8 ~~monthly installments, as where payable in irregular or unequal~~
9 ~~installments either in amount or periods thereof, or in regular~~
10 ~~installments followed by or interspersed with an irregular,~~
11 ~~unequal or larger installment or installments, or if the finance~~
12 ~~charge accrues from a date more than 1 month before the first~~
13 ~~installment is payable, the finance charge may not exceed an~~
14 ~~amount which, having due regard for the schedule of installment~~
15 ~~payments will provide the same yield as if the contract were~~
16 ~~payable in accordance with the standard payment terms stated in~~
17 ~~subsection (1)~~

18 ~~(3) If the amount of any installment is 2 times or more the~~
19 ~~amount of any other installment except the down payment, the~~
20 ~~amount of the finance charge in respect to the portion of the~~
21 ~~principal amount financed included in such larger installment~~
22 ~~shall not exceed the equivalent of 6% per annum simple interest~~
23 ~~for the period from the due date on which finance charge begins~~
24 ~~to accrue to the date of such larger installment and such portion~~
25 ~~of the finance charge shall be payable in substantially equal~~
26 ~~periodic installments throughout such period~~

1 Sec 303 (1) Notwithstanding the provisions of a home
2 improvement installment contract to the contrary, a buyer may pay
3 the contract in full at any time before maturity and in so paying
4 shall receive a refund credit on the contract AS PERMITTED BY THE
5 CONSUMER CREDIT REFORM ACT, UNLESS THE CONTRACT CONTAINS A
6 FINANCE CHARGE COMPUTED FROM TIME TO TIME ON THE UNPAID BALANCE
7 ~~, except as provided in section 309~~ Except as provided in sub-
8 section (2), the amount of the refund credit shall represent at
9 least as great a proportion of the finance charge, or if the con-
10 tract has been extended, deferred, or refinanced, of the addi-
11 tional charge therefor, as the sum of the periodical time balance
12 scheduled by the contract to follow the installment date after
13 the day of prepayment bears to the sum of all the periodical time
14 balances under the schedule of installments in the contract or
15 if the contract has been extended, deferred, or refinanced, as so
16 extended, deferred, or refinanced

17 ~~(2) If a part of the finance charge is computed on an~~
18 ~~installment as provided in section 301(3), the amount of the~~
19 ~~refund credit applicable to that part of the finance charge shall~~
20 ~~represent at least as great a proportion of that part of the~~
21 ~~finance charge as the number of months to elapse after the month~~
22 ~~in which prepayment is made to the due date of that installment~~
23 ~~bears to the number of months from the date the finance charge~~
24 ~~accrues to the due date of that installment~~

25 (2) ~~-(3)-~~ Where the amount of the credit for anticipation of
26 payment is less than \$1 00, a refund need not be made ~~Where~~
27 IF the earned finance charge amounts to less than the minimum

1 finance charge THEN there may be retained an amount equal to the
2 minimum finance charge under section 301

3 Sec 305 The holder of a home improvement installment
4 contract, upon agreement in writing with the buyer, may refinance
5 the payment of the unpaid time balance of the contract AT A RATE
6 PERMITTED BY SECTION 301 ~~by providing for a new schedule of~~
7 ~~installment payments~~ ~~The holder may charge and contract for the~~
8 ~~payment of a refinanced charge by the buyer and collect and~~
9 ~~receive the same, but such refinance charge shall be based upon~~
10 ~~the amount refinanced plus any additional cost of insurance and~~
11 ~~of official fees incident to such refinancing, after the deduc-~~
12 ~~tion of a refund credit in an amount equal to that to which the~~
13 ~~buyer would have been entitled under section 303 if he had pre-~~
14 ~~paid in full his obligations under the contract or contracts,~~
15 ~~computed without allowance for any minimum earned finance~~
16 ~~charge~~ ~~Such refinance charge shall not exceed the rate of~~
17 ~~finance charge provided under section 301~~ The agreement for
18 refinancing may also provide for the payment by the buyer of the
19 additional cost to the holder of the contract of premiums for
20 continuing in force until the maturity of the contract as refi-
21 nanced, any insurance coverages provided ~~therein~~ IN THE
22 CONTRACT The refinancing agreement shall set forth the amount
23 of the unpaid time balance to be refinanced, the amount of any
24 refund credit, the amount to be refinanced after the deduction of
25 the refund credit any additional premiums paid for insurance and
26 of official fees to the buyer the amount of the finance charge
27 under the refinancing agreement the new unpaid time balance, and

1 the new schedule of installment payments A refinancing
 2 agreement between a financing agency and a buyer may consolidate
 3 the new unpaid time balances of 2 or more home improvement
 4 installment contracts by providing for a new schedule of consoli-
 5 dated installment payments and may provide for the acceleration
 6 of the consolidated time balance upon a failure of the buyer to
 7 pay in full any consolidated installment payment A contractor
 8 may not consolidate 2-or more home improvement installment con-
 9 tracts except to the extent provided in sections 306 307, and
 10 308

11 Sec 307 Subject to ~~the provisions of~~ section 301 the
 12 finance charge to be included in a consolidated time balance
 13 shall be determined by applying a finance charge at a rate not
 14 exceeding the maximum rate specified in that section to either OF
 15 THE FOLLOWING

16 (a) The total of the principal amount financed under the
 17 subsequent sale and the unpaid balance of any previous contract
 18 determined by deducting from the unpaid time balance ~~thereof~~ OF
 19 THE CONTRACT as of the date the finance charge is to accrue on
 20 the subsequent sale, any then unearned finance charge in an
 21 amount not less than the refund credit provided for in ~~section~~
 22 ~~303~~ THE CONSUMER CREDIT REFORM ACT computed without the allow-
 23 ance of any minimum earned finance charge, for the period from
 24 the date the finance charge is to accrue on the subsequent sale
 25 to and including the date when the final installment of ~~such~~
 26 THE consolidated time balance is payable ~~—or—~~

1 (b) The principal amount financed under the subsequent sale
 2 for the period from the date the finance charge is to accrue
 3 ~~thereon~~ ON THE CONTRACT to and including the date when the
 4 final installment of ~~such~~ THE consolidated time balance is pay-
 5 able and, if the due date of the final installment of ~~such~~ THE
 6 consolidated time balance is later than the due date of the final
 7 installment of any previous contract included in the consolidated
 8 time balance on the unpaid time balance of ~~such~~ THE previous
 9 contract as of the date the finance charge is to accrue on the
 10 subsequent sale for the period from the date when the final
 11 installment on the previous contract would have been payable to
 12 the date when the final installment of ~~such~~ THE consolidated
 13 time balance is payable

14 Sec 309 Instead of a finance charge computed on the
 15 principal amount financed as determined under section 203 or 308,
 16 the seller may charge from time to time a finance charge consist-
 17 ing of interest on the amount of the unpaid principal balance of
 18 the contract In this event the transaction shall be subject to
 19 this act as modified by the following provisions

20 ~~(a) Finance charge shall mean the estimated amount of con-~~
 21 ~~sideration in excess of the cash price which the buyer will pay~~
 22 ~~in the form of interest assuming that each scheduled payment is~~
 23 ~~made on the date it is due and in the scheduled amount~~

24 ~~(b) The maximum estimated finance charge shall not exceed~~
 25 ~~the maximum dollar amount allowed pursuant to section 301 for~~
 26 ~~contracts of the same contractual maturity computed on the actual~~
 27 ~~number of days between installment payments~~

1 (A) ~~(c)~~ The number and amount of installment payments
 2 required to be stated pursuant to sections 203 and 308 shall be
 3 estimated for purposes of this section assuming that each sched-
 4 uled payment is made on the date it is due and in the scheduled
 5 amount

6 (B) ~~(d)~~ The holder of the contract shall have the option
 7 of deferring interest charges ~~which~~ THAT accrue due to install-
 8 ment payments being received later than the periodic installment
 9 due date The deferred interest charge shall be computed on the
 10 basis of additional interest charges accruing for late install-
 11 ment payments and appropriate interest reductions for installment
 12 payments made before the due date On contracts providing for
 13 equal monthly installments, if the final installment is more than
 14 105% of a previous installment as a result of the deferred inter-
 15 est charges, the installment buyer shall be given the option to
 16 pay the deferred interest charges not less than 25 days after the
 17 date the last installment payment is due

18 (C) ~~(e)~~ If the entire principal balance is prepaid in
 19 full together with all interest incurred to the date of prepay-
 20 ment, the balance of the original finance charge shall be
 21 canceled and the provisions of section 303 respecting a refund
 22 credit shall not be applicable

23 Section 2 This amendatory act shall not take effect unless
 24 Senate Bill No _____ or House Bill No 5315 (request
 25 no 03591'93***) of the 87th Legislature is enacted into law