



Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

REVISE ANTI-REDLINING NOTICE

House Bill 5666 as introduced
First Analysis (3-21-96)

Sponsor: Rep. Alvin Kukuk
Committee: Commerce

THE APPARENT PROBLEM:

Public Act 135 of 1977 prohibits certain mortgage lending practices by credit-granting institutions in the state, including a practice known as "redlining," which involves denying or discouraging mortgages and other loans to prospective borrowers based on their race or ethnic background. The act requires all lending institutions to display in their main office and branch offices a written notice informing all prospective borrowers of their rights under the act and certain other information pertaining to those rights. Among other things, the notice must state that it is illegal to establish a minimum mortgage amount of more than \$5,000 or a minimum home improvement loan amount of more than \$500. However, in 1993 the act was amended to permit lenders to establish minimum amounts for these types of loans of \$10,000 and \$1,000, respectively, to reflect the higher cost of living and modern real estate prices. The 1993 amendatory language, however, did not make complementary changes to language governing the notice that must be displayed by lenders to reflect the higher minimum amounts.

THE CONTENT OF THE BILL:

The bill would amend Public Act 135 of 1977 to require the notice that all financial institutions in the state must display in their main office and branch offices to state that it is illegal to establish a minimum mortgage amount of more than \$10,000 or a minimum home improvement loan of more than \$1,000. Also, the act currently requires the notice to include the Financial Institutions Bureau's current address and telephone number; under the bill, only the bureau's telephone number would need to be included.

MCL 445.1605

FISCAL IMPLICATIONS:

The Financial Institutions Bureau says the bill would not affect state or local budget expenditures. (3-20-96)

ARGUMENTS:

For:

The bill would make a simple change to Public Act 135 of 1977 to reflect changes made to the act by Public Act 43 of 1993. Public Act 135 was amended in 1993 to raise the minimum amounts that lenders may establish for loans offered to prospective borrowers from \$5,000 to \$10,000 (for a mortgage) and from \$500 to \$1,000 (for a home improvement loan). However, the 1993 changes failed to amend provisions in the act governing the notice that all lenders must display in their offices to reflect the higher minimum amounts. The bill also would delete the requirement that the notice include the Financial Institutions Bureau's address, and would require the bureau's "telephone" number, rather than "phone" number, to be included.

Response:

Deleting the requirement that the notice include the FIB's address may not be prudent since some prospective borrowers may find it necessary to contact the bureau by mail.

POSITIONS:

The Financial Institutions Bureau supports the bill. (3-20-96)

The Michigan Bankers Association supports the bill. (3-20-96)

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

House Bill 5666 (3-21-96)