



**Senate Fiscal Agency**  
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BILL ANALYSIS



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Senate Bill 438 (Substitute S-6 as reported)  
Sponsor: Senator Bill Schuette  
Committee: Financial Services

### **CONTENT**

The bill would amend the Credit Reform Act to define “excessive fee or charge” and to revise the definition of “extension of credit”.

The Act prohibits regulated lenders and depository institutions from requiring a borrower or buyer to pay an “excessive fee or charge”. The bill would define “excessive fee or charge” as a fee or charge that was grossly in excess of the fee or charge that was then being charged to individuals in Michigan in “similar circumstances”, on a majority of extensions of credit of the same type made by any lender who regularly extended credit of the same type to individuals in Michigan. A fee or charge that did not exceed an amount allowed under law would not be considered excessive. “Similar circumstances” would include, without limitation, the rate of interest or finance charge, the term of the extension of credit, and whether the extension of credit was secured or unsecured.

The Act sets a maximum of 25% on the rate of interest or finance charge that a regulated lender may collect for an extension of credit and defines “extension of credit” as “a loan or credit sale made by a regulated lender”. The bill would add “to an individual for personal, family, or household purposes”. An extension of credit would not include an extension of credit for a first mortgage loan.

MCL 445.1852

Legislative Analyst: P. Affholter

### **FISCAL IMPACT**

The changes included in this bill would not have an impact on the administrative or regulatory workload of the Financial Institutions Bureau of the Department of Commerce. There would be no impact on local governmental units.

Date Completed: 11-21-95

Fiscal Analyst: K. Lindquist