



**Senate Fiscal Agency**  
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BILL ANALYSIS



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Senate Bill 439 (as enrolled)  
 Sponsor: Senator Michael J. Bouchard  
 Senate Committee: Financial Services  
 House Committee: Commerce

**PUBLIC ACT 431 of 1996**

Date Completed: 12-18-96

**RATIONALE**

The Retail Installment Sales Act regulates businesses that offer store revolving charge accounts (essentially, credit cards) and other forms of retail installment credit to consumers. The Act specifies that a retail charge agreement must be in writing and signed by the buyer or someone he or she has authorized to use the credit allowed under the agreement. According to a representative of retailers, this requirement has prevented retailers from offering retail installment credit over the phone or by mail to potential credit users, as banks and other financial institutions are allowed to do. For example, a bank may contact a person by telephone and tell the person that he or she is "preapproved" for a credit card and, after the bank obtains certain information and a verbal assent to accept it, a credit card account may be opened in the person's name. A similar procedure is used via mail, although a person usually must sign a written application and return it for the account to be opened. Retailers believe that they could market retail installment credit more effectively if, like bank card issuers, they were allowed to approve and implement a charge agreement upon an application and after the credit terms were fully disclosed to the applicant.

**CONTENT**

The bill amended the Retail Installment Sales Act to specify that a retail charge agreement is considered signed and accepted by the buyer if, after a request for a retail charge account, either the agreement or application for a retail charge account is, in fact, signed by the buyer or the retail charge account is used by the buyer or by another person authorized by the buyer. The agreement may provide, however, that it is not effective until the seller or holder extends credit to the buyer; the buyer receives the disclosure required under the Federal Truth-In-Lending Act; and the buyer, or a

person authorized by the buyer, uses the retail charge account.

MCL 445.862

**ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

**Supporting Argument**

The bill will enable retailers to grant credit under a retail installment sales contract in a way that is similar to how banks and other financial institutions provide credit to someone via a bank credit card. Retailers have been unable to open a retail charge account or issue credit to someone until he or she actually signed an agreement for the account. This signature requirement prevented retailers from marketing their store credit cards, which are open-ended retail charge agreements, over the telephone or via mail, as many financial institutions have done. Under the bill, since a retail charge agreement is considered signed and accepted if the requested account is used by the buyer or another authorized person, the account may be solicited by retailers over the phone and by mail.

Legislative Analyst: P. Affholter

**FISCAL IMPACT**

The bill will have no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.