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BILL



ANALYSIS

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Senate Bill 1180 (as introduced 9-24-96)
Sponsor: Senator Michael J. Bouchard
Committee: Financial Services

Date Completed: 9-25-96

CONTENT

The bill would amend Public Act 52 of 1970, which exempts loans to business entities from the provisions of the general usury Act, to include in that exemption the criminal usury provisions of Public Act 259 of 1968.

Public Act 52 provides that, notwithstanding the general usury Act, but subject to any other applicable Michigan or Federal law that regulates rates of interest, it is lawful in connection with an extension of credit to a business entity by a State- or nationally chartered bank, insurance carrier, or finance subsidiary of a manufacturing corporation for the parties to agree in writing to any rate of interest. Under the bill, those extensions of credit also would be exempt from the criminal usury statute, which sets a maximum rate of 25% (MCL 438.41 & 438.42). Also, the extension of credit could be made by a State- or Federally chartered savings bank, a State- or Federally chartered savings and loan association, a State- or Federally chartered credit union, or a "related entity", in addition to the entities currently authorized to offer the credit. ("Related entity" would mean a business entity, other than a natural person, whose members, owners, partners, or limited partners included a State- or nationally chartered bank, a State- or Federally chartered savings bank, a State- or Federally chartered savings and loan association, a State- or Federally chartered credit union, an insurance carrier, or finance subsidiary of a manufacturing corporation.)

In addition, Public Act 52 provides that, notwithstanding the general usury Act, it is lawful in connection with an extension of credit to a business entity by any person other than a State- or nationally chartered bank, insurance carrier, or finance subsidiary of a manufacturing corporation, for the parties to agree in writing to any rate of interest not exceeding 15% per year. The bill, instead, provides that the parties could agree to any rate of interest not exceeding the rate allowed in the criminal usury statute (25%). Also, an extension of credit could be made by any person other than a State- or nationally chartered bank, a State- or Federally chartered savings bank, a State- or Federally chartered savings and loan association, a State- or Federally chartered credit union, insurance carrier, finance subsidiary of a manufacturing corporation, or a related entity.

MCL 438.61

Legislative Analyst: P. Affholter

FISCAL IMPACT

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

Fiscal Analyst: M. Tyszkiewicz

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